FINANCIAL TIMES

Making indigo

A new bug in your jeans

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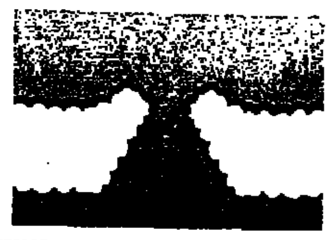

Biotechnology

Europe takes on the US

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The big issue

Management myopia

Peter Martin, Page 14

Today's survey

The business of travel

Separate section

World Business Newspaper http://www.FT.com THURSDAY MAY 15 1997

Budget fear may prompt further Telekom sell-off

Germany's mounting budget difficulties have forced the government to consider rushing through the sale of a further stake in Deutsche Telekom, Europe's largest telecommunications group, which was part-privatised last November. Finance minister Theo Waigel confirmed a sell-off was possible as the coalition parties prepared for crucial meetings over stop-gap measures to ensure Germany fulfilled the criteria laid down in the 1991 Maastricht treaty for the single European currency. Page 16

Threat to BA, American link-up: Five airlines, led by Lufthansa of Germany and United Airlines of the US, have launched one of the world's most powerful aviation groupings, posing a significant challenge to the proposed link-up between British Airways and American Airlines. Page 17

Nomura executives arrested: Three executives of Nomura, Japan's largest securities company, have been arrested in a growing scandal over the company's recent alleged payments to corporate gangsters. Page 16

US confident on free trade talks: US commerce secretary William Daley is confident that talks to create a Free Trade Area of the Americas will not break down, despite a disagreement on reducing tariffs. Page 6

Royal Dutch/Shell, the largest western oil company, has smashed an attempt by shareholders to have its environmental and human rights policies monitored externally. Page 22; Lex, Page 16

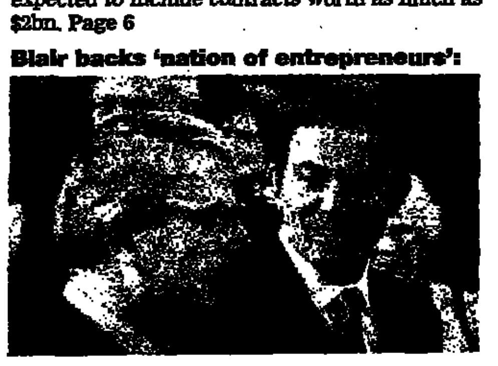
Japan's external surplus falls 24%: Japan's current account surplus fell by nearly a quarter in the 12 months to March, to Y7,180.2bn ($60.5bn), reaching a seven-year low. However, economists predicted a rebound this year and warned of a revival of US-Japan trade tensions. Page 9

C&W profits up 12%: Pre-tax profits at Cable and Wireless, the UK's second largest telecommunications group, rose 12 per cent to £1.42bn ($2.30bn) last year, boosted by a strong performance from Hongkong Telecom. Page 17; Lex, Page 16

Gazprom, the Russian natural gas monopoly, is planning to crack down on foreign investors evading a ban on buying the company's domestic shares. Page 16 and Lex

Beijing set for $2bn in French deals: China's lavish welcome for French president Jacques Chirac, who arrives in Beijing today, is expected to include contracts worth as much as $2bn. Page 6

Blair backs 'nation of entrepreneurs':



Britain's new prime minister Tony Blair (right) – with predecessor John Major before yesterday's state opening of Parliament – unveiled a package of reforms as he laid out the government's priorities for its first parliamentary session. "I want Britain to be a nation of entrepreneurs," *he said. Full reports, Page 12; Editorial Comment, Page 15*

Europe, America 'best for business': Western Europe and North America will be the world's most congenial locations for business in the next five years, says a survey. Page 6

French state companies face changes: The French government is creating a new State-shareholder Council to improve management of public-sector companies. Recent losses in state-owned enterprises such as Crédit Lyonnais and GAN have provoked indignation. Page 2

Vietnam drug ring sentenced: Eight people have been sentenced to death in Vietnam for their part in a massive heroin trafficking ring, marking the country's first battle with the international drugs trade. Page 9

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	7317.48	(+43.27)
NASDAQ Composite	1338.17	(+2.58)
Europe and Far East		
CAC40	2774.63	(+55.05)
DAX	3573.89	(-21.46)
FTSE 100	4686.9	(-4.1)
Nikkei	20,289.72	(+80.61)

US LUNCHTIME RATES

Federal Funds	$5\frac{7}{16}$%
3-mth Treas Bills: Yld	5.18%
Long Bond	$95\frac{1}{2}$
Yield	6.88%

OTHER RATES

UK: 3-mo Interbank	$6\frac{13}{32}$%	($6\frac{3}{8}$%)
UK: 10 yr Gilt	$102\frac{7}{32}$	($101\frac{1}{2}$)
France: 10 yr OAT	99.69	(99.38)
Germany: 10 yr Bund	102.46	(102.08)
Japan: 10 yr JGB	103.168	(103.454)

NORTH SEA OIL (Argus)

Brent Dated	$19.07	(19.40)

GOLD

New York: Comex		
(May)	$347.2	(349.50)
London:		
close	$348.35	(348.15)

DOLLAR

New York: lunchtime		
£	1.63365	
DM	1.69625	
FFr	5.71455	
SFr	1.4375	
Y	118.55	
London:		
£	1.6405	(1.6319)
DM	1.7006	(1.6972)
FFr	5.7293	(5.7164)
SFr	1.4405	(1.4367)
Y	118.325	(119.0)
Tokyo close:	Y 118.75	

STERLING

DM	2.7898	(2.7697)

Sharp drop in US producer prices

Latest figures create dilemma for Federal Reserve's policymaking body

By Gerard Baker in Washington

US producer prices recorded their sharpest drop in four years last month, according to figures released yesterday, suggesting that sustained strong growth in US demand and output has yet to generate inflationary pressures.

The Commerce Department reported that prices charged by producers for finished goods fell by 0.6 per cent in April, largely the result of a sharp decline in energy costs, reflecting lower oil prices.

But even excluding the usually volatile energy and food components, the core producer price index fell by 0.1 per cent in April, the third monthly fall in four months.

Finished goods prices excluding food and energy were just 0.6 per cent higher than a year earlier.

The figures intensify the dilemma facing the Federal Reserve as its policymaking open market committee prepares to meet next Tuesday.

Faced with evidence of rapid growth but no current inflation, the central bank raised interest rates at its last committee meeting in March, as a "pre-emptive strike" against the risk of future price increases. But with a continuing dearth of hard evidence of accelerating prices, many economists believe that the case for further rate increases is weakening.

"Given these continued exceptionally good inflation numbers, the Fed will be hard-pressed to raise rates again," said Mr Mickey Levy, chief economist at Nations Bank Capital markets, an investment bank.

Nor was there any evidence last month of rising prices further up the production pipeline.

Intermediate goods prices, also excluding food and energy, in April were just 0.2 per cent higher than a year earlier, and raw material prices were actually 1 per cent lower.

However, economists said the critical question for the Fed next week was not about concrete evidence of past price increases, but the extent to which the economy was slowing after its surge in the first quarter.

Output grew at an annual rate of 5.6 per cent in the first three months of the year, and while that has not yet produced inflationary pressures, central bank policy makers believe that a rate of growth anywhere close to that will eventually spark wage increases and price rises.

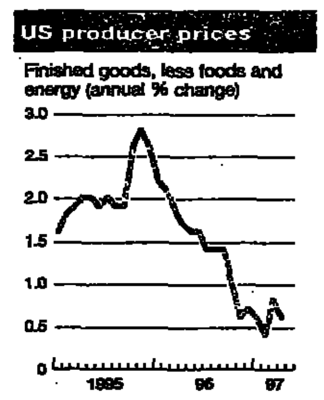
"The Fed keeps telling us they are focused on growth, not current inflation," said Mr Christopher Low, economist at HSBC, an investment bank.

"These (producer price) numbers will not be the key to the decision next week."

Only if the Fed is convinced the economy has slowed markedly from its first-quarter pace is it seen as likely to consider abstaining from another rate increase at next week's meeting. So far, the evidence on that is unclear.

Consumer spending has slowed since March, as has activity in the housing market, but overall demand may not yet have slowed enough for the Fed's comfort.

US producer prices



Source: Datastream

Singapore joins Thailand in its defence of baht

By Ted Bardacke in Bangkok

The central banks of Thailand and Singapore yesterday stepped in jointly in an attempt to prop up a weakening Thai baht and prevent any spread of instability to other Asian financial markets.

It was the first time Asian central banks publicly admitted such collaboration. Traders said the intervention also involved the chief monetary authorities of Hong Kong and Malaysia, but this was not confirmed.

The action failed to support the baht, which fell to its lowest level this decade, closing well below the floor of the trading band maintained by *the Bank of Thailand.*

The Bangkok stock market fell 4.8 per cent, finishing at its lowest point since 1990.

A statement from the Bank of Thailand and the Monetary Authority of Singapore said the intervention was "aimed at stemming excessive speculative activities which may lead to disorderly conditions in the Thai and regional financial markets". It added: "Other appropriate measures will be taken as necessary."

The Bank of Thailand made it clear that it did not borrow money under repurchase arrangements with the Singapore authority. "The help was only technical," it said.

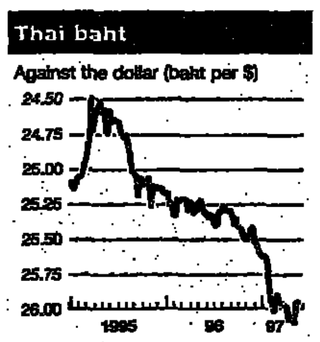
Traders said the technical help involved the Monetary Authority of Singapore using its vast network of affiliated dealers to sell Thailand's dollar holdings in the Singapore market, where about half of all baht trading takes place.

Though the intervention was "technical", it was still ground-breaking and comes against a backdrop of increasing desire for co-operation among regional monetary authorities. A network of bilateral repurchase agreements have been put in place in case of such speculative attacks. There was no indication why these agreements were not brought into play.

In Thailand's case, the agreements give it access to an extra $40bn to $50bn, on top of *its own reserves* of nearly $40bn, for defending the currency, according to finance minister Mr Amnuay Viravan.

The baht closed weaker at

Thai baht



Source: Datastream

Continued on Page 16
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Russia agrees Nato expansion plan

By Chrystia Freeland in Moscow and Bruce Clark in Washington

Nato and Russia yesterday agreed a historic pact signalling the Kremlin's tacit acceptance of the western military alliance's planned eastward enlargement.

Western and Russian leaders said the deal, which follows months of negotiations, will reassure Moscow that Nato expansion does not pose a threat, while allowing the alliance to move into eastern Europe without making an enemy of the Kremlin.

"While in the past we were concerned [about the threat posed by Nato expansion], after it [the agreement] has been signed, this concern should go away," Mr Boris Yeltsin, the Russian president, said in a television interview.

The Kremlin chief was speaking just a few hours after the agreement had been reached in a two-day negotiating session in Moscow between Mr Javier Solana, the Nato secretary-general, and Mr Yevgeny Primakov, the Russian foreign minister.

The two men embraced after making what a joint communiqué described as "decisive progress" on an agreement that the east-west sparring partners both characterised as a victory for "reason".

Western leaders on both sides of the Atlantic praised the agreement and claimed credit for pushing it through.

Mr Klaus Kinkel, the German foreign minister, called it "good news" and said his "countless talks" with Mr Primakov had "paid off." A French foreign ministry spokesman said the pact was *"a historic event" and claimed* that Paris was "at the origin of these ideas". The White House, which has been the driving force behind Nato's expansion plans, was "encouraged" and said the outline of the bargain had been agreed at a February US-Russia summit.

Details of the deal, which Mr Yeltsin said he hopes to sign on May 27 at a ceremony in Paris attended by all 16 Nato member states, have not yet been released.

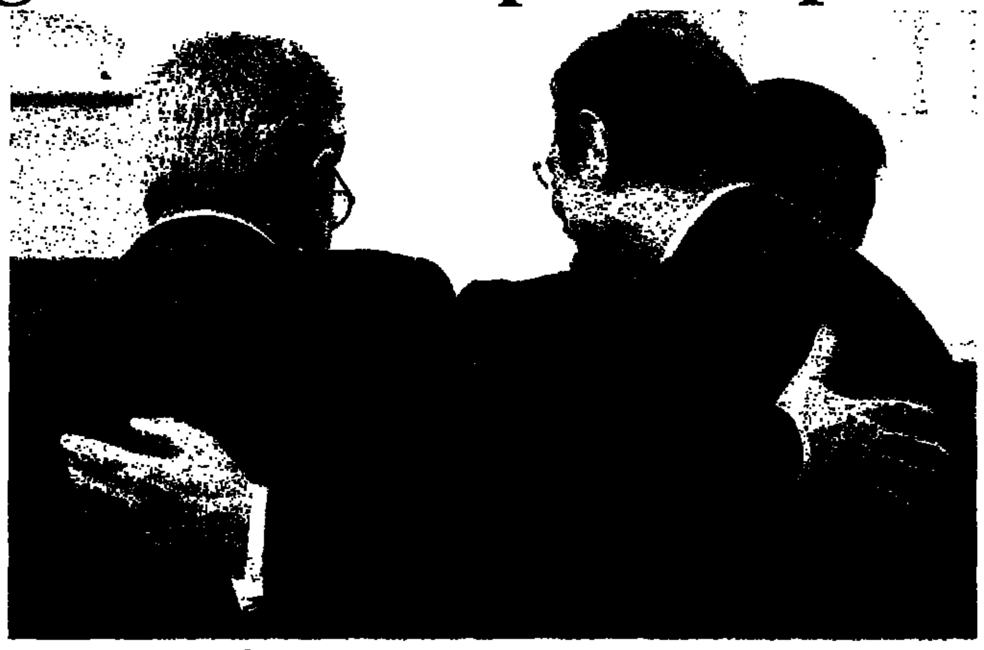
But Russia appears to have dropped the *toughest of the* demands it made at the beginning of the year, when its rhetorical fight against Nato expansion was at its height

The pact is expected to be signed by Nato heads of state, signalling that Moscow has failed in its push for a legally binding deal ratified by the legislatures of each country.

A second Moscow concern – that the alliance would station troops and weapons on the territory of its new members – seems to have been assuaged *by psychological reassurance* but few real concessions.

Nato is believed to have stuck by its insistence that it cannot offer official guarantees about the eastward movement of military infrastructure because that would create a second class of members.

However, it repeated its avowal that it has "no intention, no plan and no reason" to station nuclear weapons in new entrant countries.



Hands across the divide: Russian foreign minister Yevgeny Primakov with Nato secretary-general Javier Solana embrace after concluding talks in Moscow yesterday Picture: AP

Editorial Comment, Page 15

Swiss hunt for Mobutu family's hidden millions

Banks ordered to report any accounts by end of May

By William Hall in Zurich

The Swiss government has ordered its Federal Banking Commission to undertake an investigation of the country's banks to determine how much of the family fortune of Zaire's beleaguered president Mobutu Sese Seko is hidden there.

The move means that any Mobutu accounts held in Switzerland's 400-plus banks are effectively blocked.

The Swiss Federal Banking Commission, yesterday issued a notice requiring all Swiss banks, with the exception of the rural Raiffeisen co-operative banks, *to report all information* on Mobutu-related bank accounts by May 30.

This is believed to be the biggest nationwide search since the Swiss banks were asked to block the family fortune of Ferdinand Marcos, former president of the Philippines, more than 10 years ago.

Estimates vary wildly as to how much money Mr Mobutu has hidden in Swiss banks. The big Swiss banks have claimed no knowledge of having any Mobutu-related accounts and have argued that the blocking of the $500m Marcos family fortune should have discouraged other dictators from leaving money in Swiss accounts.

But the Financial Times reported this week that close aides of Mr Mobutu believed *the bulk of his liquid assets* remained in Swiss banks.

Mr Kurt Hauri, president of the banking commission, said that the commission had requested details of the sums involved, any counter-parties and the identity of the beneficial owners.

The investigation will cover the branches and subsidiaries of Swiss banks at home and abroad and the Swiss operations of foreign banks. *The aim is to discover* the identity of all accounts held directly or indirectly by members of the Mobutu family.

The announcement of the commission investigation coincided with the news that the Swiss government had been asked by representatives of Mr Laurent Kabila, the rebel leader trying to oust the president, to block all Mobutu accounts and assets held in Switzerland. There was confusion in Switzerland and Zaire over the validity of the request. Swiss authorities can only block assets if they are asked by a foreign government.

One senior Swiss banker said yesterday that any bank which was found to have transferred funds following the announcement of the investigation would be in serious trouble.

Mr Mobutu was yesterday on board a ship at Pointe Noire on the Congolese coast waiting *for Mr Kabila to arrive to con*tinue negotiations expected to lead to a handover of power.

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LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

New Albania poll law irks opposition

Threatened boycott of election could lead the country back to anarchy. Kevin Done reports

Unbowed: President Berisha defiantly launched his campaign amid threats of a boycott Reuter

President Sali Berisha announced the start of Albania's election campaign yesterday amid fears that a threatened opposition boycott of of the poll could return the country to anarchy.

Mr Franz Vranitzky, the international community's special envoy to Albania, is to return to the country today to try to patch up the fragile accord arranged under his auspices last Friday between the main political forces in the country.

Opposition parties have been angered at the way Mr Berisha's Democratic party railroaded a controversial new election law through parliament late on Tuesday in defiance of last week's deal which called for the law to be agreed by consensus.

Under the new election law the number of seats in parliament will be increased to 155 with 115 decided by majority voting and 40 by proportional representation. The opposition wants more of the seats to be decided by proportional representation.

Mr Berisha told a rally yesterday at Kavaja, a Democratic party stronghold south-west of Tirana, that he would sign the election law and dissolve parliament for elections to take place on June 29.

"I will decree the election day and will dissolve the parliament, which you elected (last year) with your free vote, the martyr parliament of the rebellion, and we will elect a more powerful and wiser parliament," he told a crowd of several hundred people.

Last year's election was widely condemned by the opposition parties for ballot-rigging, intimidation and violence and was regarded as seriously flawed by international monitors.

Mr Vranitzky, appointed by the Organisation for Security and Co-operation in Europe to help restore order in Albania, issued an appeal to the Democratic party to find a consensus on the election law.

The former Austrian chancellor warned that "a continuing crisis in the Albanian government will serve to increase public distrust and to discourage international organisations and financial institutions from further committing resources to Albania".

The parties, which signed the accord last Friday including the Democratic party, had been committed to reaching agreement on the election law before taking it to parliament, said Mr Vranitzky.

"All parties must go into the election campaign confident that the results will truly represent the will of the Albanian people," he said.

Mr Vranitzky will seek to ensure that the opposition parties do not abandon the fragile electoral process, which is seen as the vital first step for returning order to the country, which was plunged into chaos earlier this year by the collapse of a series of fraudulent pyramid finance schemes.

A move to boycott the poll would also undermine the caretaker government of national reconciliation, which was appointed in March under the Socialist prime minister, Mr Bashkim Fino, with the aim of ending the armed insurrection in particular in southern Albania, where large areas still remain outside government control.

Mr Fino, who returned to Tirana yesterday, was in Washington for meetings with the US administration when the Democratic party pushed the new law through parliament.

Opposition party leaders, who will face heavy international pressure not to boycott the election, met yesterday amid mounting uncertainty.

"If we think the whole story of May 26 last year will be repeated we will not enter the elections," said Mr Maqo Lakrori, international secretary of the main Socialist opposition party.

"We are going to make all efforts to correct things, but the space for manoeuvre is very limited. Mr Berisha has presented us with a fait accompli. The question of a boycott is still open if free and fair conditions are not created."

The Democratic party retains a stranglehold on parliament after winning 122 of the 140 seats in last year's flawed election.

New car sales rise on national incentive plans

By Haig Simonian, Motor Industry Correspondent

New car registrations in western Europe climbed by an unexpectedly strong 9.3 per cent in April compared with a year earlier, as national incentive schemes continued to distort sales.

About three quarters of last month's 108,000 unit increase, compared with April 1996, stemmed from Italy, where a government incentive scheme has rallied sales. Registrations also climbed sharply in Spain on the back of new fiscal incentives to stimulate car buying.

The strong figures from the two countries helped to reverse the previous decline in new car registrations this year. Registrations were up 0.8 per cent, in the first fourth months on a year earlier, compared with a 2.2 per cent fall in January-March.

In Italy registrations soared by 52.4 per cent to 231,500, while in Spain, sales climbed by 19.7 per cent to 89,300, according to preliminary figures from the European Automobile Manufacturers' Association. Registrations were further boosted by a 12.4 per cent rise in the UK and a 2.2 per cent climb in Germany.

The upturns helped to compensate for the continuing decline in France after the end of an incentive programme. French registrations fell by 10.5 per cent last month, bringing the cumulative decline in the French market to 22.5 per cent in the first four months of this year.

The sharp national differences had predictable impact on manufacturers. Fiat group sales rose by 23 per cent last month, year on year, with the Italian incentive programme. More surprisingly, Renault and Peugeot-Citroën registrations rose by 13.4 per cent and by 2.2 per cent respectively as strong exports compensated for lower registrations in the home market.

Korean registrations dropped by 4.5 per cent last month.

West European new car registrations

January-April 1997

	Volume (Units)	Volume Change(%)	Share (%) Jan-Apr 97	Share (%) Jan-Apr 96
TOTAL MARKET	4,696,800	+0.8	100.0	100.0
MANUFACTURERS:				
Volkswagen group	814,143	+3.0	17.3	17.0
– Volkswagen	507,971	–3.2	10.8	11.3
– Audi	164,219	+17.5	3.5	3.0
– Seat	107,366	+7.1	2.3	2.2
– Skoda*	34,587	+36.6	0.7	0.5
Fiat group##	592,576	+6.8	12.6	12.0
– Fiat	492,068	+10.1	10.5	9.6
– Lancia	56,832	–9.5	1.2	1.3
– Alfa Romeo	42,896	–13.7	0.9	1.1
General Motors#	573,622	–3.5	12.2	12.8
– Opel/Vauxhall	550,472	–3.7	11.7	12.3
– Saab**	21,080	+9.8	0.4	0.4
Ford group#	525,262	–4.8	11.2	11.8
– Ford	518,823	–5.1	11.0	11.7
– Jaguar	6,439	+28.4	0.1	0.1
PSA Peugeot Citroen	521,397	–8.7	11.1	12.0
– Peugeot	297,582	–11.1	6.3	7.2
– Citroen	223,815	–3.9	4.8	4.8
Renault	457,859	–1.1	9.7	9.9
BMW group	281,604	+3.5	6.0	5.8
BMW	148,397	+4.2	3.2	3.1
Rover	133,207	+2.7	2.8	2.8
Mercedes-Benz	169,788	+3.4	3.6	3.5
Volvo	84,412	+31.6	1.8	1.4
Nissan	135,811	+3.7	2.9	2.8
Toyota	129,913	+11.4	2.8	2.5
Honda	75,066	+1.6	1.6	1.6
Mazda	66,151	+2.6	1.4	1.4
Mitsubishi	57,481	+4.5	1.2	1.2
Total Japanese	534,271	+6.8	11.4	10.7
Total Korean	85,840	+2.2	1.8	1.8
MARKETS:				
Germany	1,213,100	–3.3	25.8	26.9
Italy	857,500	+24.3	18.2	14.8
United Kingdom	732,300	+5.6	15.6	14.9
France	570,900	–22.5	12.2	15.8
Spain	329,000	+9.7	7.0	6.4

*VW holds 70 per cent and management control of Skoda.
#Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source: ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

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French state companies face changes

By David Owen in Paris

The French government yesterday announced the creation of a new state-shareholder council to improve the management of public-sector companies.

Other reforms to aide public-sector management including plans to separate the regulator from the manager of public companies within the French Treasury, were unveiled yesterday by Mr Jean Arthuis, finance minister.

They follow huge recent losses in state-owned enterprises such as Crédit Lyonnais and GAN, which have provoked incomprehension and indignation in France and have been partly blamed on the inadequacies of the present system.

Taking a break from the campaign trail for the approaching French general election, Mr Arthuis said the reforms, which would take immediate effect, would let the state "apply principals in force in the private sector to the control of companies in its possession".

He said there was no question of the state seeking to meddle in the management of public companies. Nevertheless, the state-shareholder was responsible for taxpayers' money and had the right to see how it was being used.

He was supported by President Jacques Chirac who yesterday told ministers that the "impunity" that had too often protected those responsible for recent public-sector mishaps was "no longer acceptable".

It was because public enterprises had not respected their basic duties of transparency and good management that a number of "financial catastrophes" had taken place, the president said.

These had triggered "doubts over the state's ability to manage the public service".

The centrepiece of the reforms was the creation of a new state-shareholder council reporting to the finance ministry and charged with evaluating ways the state should intervene in the running of public sector companies.

The council, which would meet at least three times a year, would consist of some 10 individuals drawn from the private and public sectors.

Its president, whose identity should be known next week, would be "an independent personality" from the private sector. The new body would be able to formulate "any recommendations it considered useful to improve the way the state-shareholder functions".

In addition, as part of a drive to establish "Chinese walls" designed to distinguish clearly between different roles played by civil servants, a "service of participations and privatisations" would be created within the treasury. This would handle matters relating to the management of public sector companies and would have no regulatory functions.

The reforms also contained measures designed to make civil servants sitting on the boards of public sector companies more "professional". In particular, a single person will no longer be able to sit on more than four such boards.

The French Socialist party yesterday estimated the cost of its plan to create 700,000 jobs for young people at FFr35bn ($6bn) to be funded by re-allocation of existing employment programmes, early retirement and voluntary contributions from companies, writes Andrew Jack in Paris.

Mr Dominique Strauss-Kahn, a senior Socialist politician, said companies would be asked to contribute 0.5 per cent in additional social security costs, stressing the charges would only be introduced in consultation with businesses.

He said a unified grant of existing job assistance measures costing FFr40,000-FFr50,000 per job would be used to encourage employers in the private sector to employ 350,000 young people and help cut the 13 per cent jobless rate.

Up to 150,000 of these posts could come by allowing those aged under 60 but who had already made 40 years of social security contributions, to retire early.

Funding for an additional 350,000 jobs in the public sector would come through scrapping the existing CIE job programme – to the value of FFr3bn-4bn – and by using the FFr12bn-FFr13bn earmarked by the existing centre-right government for income tax cuts during 1998. "We prefer to hire 350,000 young people rather than cut this tax," Mr Strauss-Kahn says.

Mr Alain Juppé, the prime minister, has said that new jobs are best created through reducing France's high level of social charges in an effort to liberate enterprise and create businesses in the private sector. Mr Juppé pledged yesterday that his government if re-elected would reduce social security contributions levied on employers from this July.

Juppé: on the trail

CONTRACTS & TENDERS

NEWS: EUROPE

EUROPEAN NEWS DIGEST

Spain's inflation falls sharply

A steep fall in Spanish inflation since the *beginning of the* year left the 12-month rate at an unexpectedly low 1.7 per cent in April, less than half the level a year ago and well within the target set for inclusion in the first wave of European monetary union. Mr Rodrigo Rato, finance minister in the centre-right government, described the figure as "historic". He warned that inflation might increase slightly later in the year, but said the government's original 2.6 per cent estimate for the end of 1997 was now outdated. Spain should now be able to keep inflation close to 2 per cent, he predicted.

The cut, from a 12-month rate of 2.2 per cent in March – and 3.2 per cent at the end of last year – exceeded forecasts and fuelled expectations of a further quarter-point or half-point cut in the *Bank of Spain's* benchmark interest rate on Friday. This would be the 12th successive cut in rates, last reduced a month ago to 5.5 per cent. *David White, Madrid*

DM160m loan for Croatia

Croatia has received a DM160m ($93m) enterprise and financial sector adjustment loan from the World Bank to help finance bank restructuring and privatisation of the banking system and public utilities. The bank, which has committed $457m to Croatia since 1993, is preparing a further loan to help create a funded pension system.

The loan is the latest in a spate of borrowings by Croatia. It arranged a three–year $486m IMF standby loan last month and issued its first $300m sovereign eurodollar loan earlier this year shortly after receiving an investment grade rating from the international rating agencies. *Anthony Robinson*

Irish Sugar fined by Brussels

Irish Sugar, a subsidiary of the Greencore Group, was yesterday fined Ecu8.8m ($10m) by the European *Commission for a series of illegal activities dating* back to the early 1980s, in which the company abused its dominant position as the sole processor of sugar in Ireland. According to the Commission, Irish Sugar, which controls roughly 95 per cent of Ireland's sugar market, attempted to restrict competition both from French and Northern Irish imports, and from small sugar packers in Ireland. *It said that in the late 1980s* the company and its subsidiary Sugar Distributors offered its own Siucra brand of sugar at selectively low prices to a customer of imported French sugar.

Other infringements include the practice, since 1985, of offering rebates on bulk purchases of sugar to industrial customers that export part of their final product to other EU member states. *Emma Tucker, Brussels*

Lenin may stay in mausoleum

Russia's communist-dominated parliament yesterday moved to preserve Lenin in peace in his mausoleum on Red Square by banning changes to the buildings in the area. Communist deputies had been incensed by a recent suggestion from Mr Boris Yeltsin, Russia's president, that Lenin's body should be removed from the mausoleum and buried alongside his mother in St Petersburg.

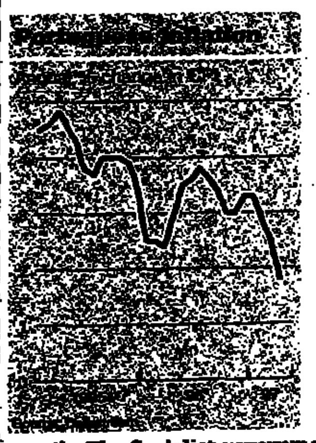
The draft law, carried by 253 votes to 48, will need approval from Mr Yeltsin, but the debate highlighted how *historical symbols can still excite enormous passion* in Russia. Mr Victor Anpilov, an extreme communist leader, said he would stand outside Lenin's mausoleum and shoot anyone who attempted to remove the corpse of the founder of the Soviet state. *John Thornhill, Moscow*

Italians loath to leave home

More and more Italian adults are clinging to their mothers' apron strings as they stay longer at home. Figures from Istat, the *national statistics institute*, show that between 1990 and 1996, the percentage of those aged 18-34 living at home rose from 51.8 per cent to 58.5 per cent. Men are less likely to leave early, with 66 per cent of the 18-34 year-olds remaining with their parents against 50 per cent of the women. *Robert Graham, Rome*

ECONOMIC WATCH

Portuguese inflation declines



Portugal's year-on-year inflation fell to a 28-year low of 1.8 per cent in April, a sharp drop from 2.5 per cent in March, *according to* the National Statistics Institute. Annual average inflation fell to 3.1 per cent from 3.2 per cent in March. The fall in the year-on-year rate reflected the impact of the *BSE crisis last year*, which resulted in substantial price increases in non-beef meat products. Food prices overall rose by 1.6 per cent in April 1996 compared with only 0.2 per cent last month. The Socialist government said *the April inflation* figure was a historic landmark that virtually guaranteed Portugal would meet the inflation target for participating in the first phase of economic and monetary union. Economists consider inflation the hardest Maastricht goal for Portugal to meet, but consensus is growing that the country is on course to comply with all the Emu convergence criteria. *Peter Wise, Lisbon*

■ Italian electricity consumption in April rose 3.5 per cent compared with the same period in 1996. The increase was attributed in part to the pick-up in the automotive industry, which has been stimulated by government incentives to trade in used cars. *Robert Graham, Rome*

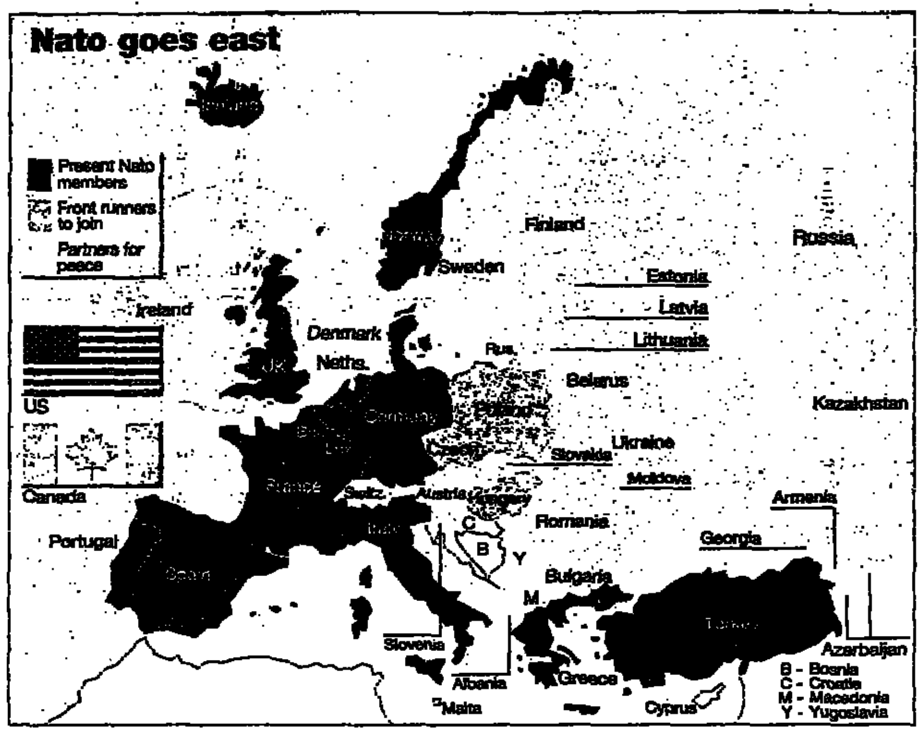
Tricky Nato gamble pays off for US

If victory always finds a hundred fathers, then yesterday's agreement between the Nato military alliance and Russia must count as a triumph of the *first order*.

Before a single detail had been revealed, French, German and Russian officials had all rushed in to claim the credit for the historic bargain.

But the biggest winner *is* Washington, which, more than two years ago, gambled that it could satisfy eastern Europe's desire for inclusion into the west without overly alienating the Russians.

It was a finely balanced wager. As one American official at the recent Helsinki summit between the US and Russia put it, in the aftermath of the cold war, the White House found *itself seeking to simultaneously* avoid repeating the differing mistakes of the treaties which ended Europe's two previous wars: the post second world war sins of Yalta, where the west allowed *Stalin to swallow up eastern* Europe, and before that the miscalculations of the post first world war treaty of Versailles, whose harsh treatment of Germany some historians claim sowed the *seeds of* the second world war.



By determinedly pushing ahead with Nato expansion – *but also winning grudging* consent of an initially hostile Russia – the west has, for now, delicately skirted these dual dangers.

The Nato accord, which some analysts feared would push Russia to the right by provoking latent nationalist instincts, served as evidence of the tremendous impor*tance the Kremlin's rulers* place on a warm relationship with the west. At crucial times in the bargaining process, the personal intervention of Mr Boris Yeltsin, the Russian president, and his apparent desire to remain close to his western friends, pushed the talks forward.

For US officials, the *central and co-operative* role that Russian reformers have played in securing the deal is a vindication of President Bill Clinton's decision, proclaimed at a Nato summit in January 1994, *that the western bloc must* reach to both central Europe and Russia simultaneously.

Yesterday's agreement has gone a long way towards achieving that goal. But even as the congratulations are being uttered, western *and Russian diplomats are* already warning that the next phase of Nato's development is likely to be even more prickly.

The alliance's next dilemma is the choice of full members *to be invited to* join at the Madrid summit in July. US officials insist the final decision will not be made until the last moment – perhaps in late June. However, it is no secret Poland, *Hungary and the Czech* republic are the prime candidates – as a result of their contribution to peace-keeping in Bosnia, scores of joint exercises with Nato and their efforts to reform and *democratise their military.*

Other candidates include Romania – strongly backed by France, and boosted by the recent election of a more reformist and western-oriented government – and Slovenia, which has found an unlikely supporter in its neighbour Italy.

While ruling nothing out, US officials note that neither of those countries has the solid track record of in*tensive co-operation with* Nato which the three prime candidates have built up.

One argument in favour of keeping the "first wave" to three members is that a relatively small initial expansion will lend credibility to the US *insistence that* the first wave will not be the last.

Countries not likely to be embraced in the first wave, especially the Baltic states, are already saying a Nato expansion which stops at the borders of the former Soviet Union would leave them more vulnerable than ever.

There is a danger that "by taking in a small number of applicant countries, and then shutting the door, Nato *says in effect that those* countries not taken in are on their own," Mr Toomas Ilves, the Estonian foreign minister, said in a recent interview with the FT.

But if Russia could be *cajoled into accepting Nato's* expansion into eastern Europe, it is likely to take a much harder line where the former Soviet republics, particularly the Baltic states and Ukraine, are concerned. The difficulties of squaring that circle are likely to make this week's historic pact seem like child's play.

Chrystia Freeland, John Thornhill and Bruce Clark

CONTRACTS & TENDERS

NEWS: EUROPE

Rates for Emu could be set this year

By Neil Buckley in Strasbourg

Exchange rates for future members of the European single currency could be set before the end of this year to avoid turbulence on the money markets, Luxembourg confirmed yesterday.

Mr Jacques Poos, foreign minister of Luxembourg, which takes over the EU's six-month rotating presidency on July 1, said "indicative" conversion rates for currencies in the future euro bloc could be agreed this autumn, if it became clear EU states had met the convergence criteria for monetary union.

"If, later in the year, we have the certainty that a significant number of countries meet the criteria, action [on rates] can be taken," he said.

His comments followed the disclosure by Mr Jean-Claude Juncker, Luxembourg's prime minister, that Luxembourg was preparing a "war plan" to avoid speculative attacks in the money markets that could threaten economic and monetary union.

Setting conversion rates for currencies in the future euro bloc this year could provoke controversy since it would effectively prejudge the political decision on which countries would be members – which had not been expected until next May.

However, officials confirmed it was theoretically possible to set an indicative rate for a country which did not go on to join the first wave of euro members, when Emu is launched on January 1 1999.

Mr Poos said bringing forward an agreement on exchange rates had already been informally discussed by EU finance ministers, after Mr Juncker's suggestion.

The idea reflects concern among EU central bank governors and monetary officials that speculation in financial markets on which countries would be members of Emu could produce a re-run of the turbulence of 1992 and 1993 which caused the break-up of the old Exchange Rate Mechanism.

But some officials voiced fears that suggestions of early setting of rates could simply bring forward any speculation.

Mr Poos said the Maastricht Treaty stipulated decisions on membership of Emu and exchange rates had to be taken on the basis of EU members' financial performance in 1997, but did not dictate a timetable.

Once the main convergence figures on budget deficits, debt, inflation and interest rates for 1997 became clear, there was nothing to stop EU finance ministers setting indicative conversion rates.

These might then be ratified by a European Council, or summit of EU leaders, he added.

European Commission officials confirmed the treaty would allow Luxembourg to initiate early action on exchange rates, or at least set out clear targets and procedures for setting rates.

The Luxembourg plan involves EU leaders informally agreeing or publicly stating their target for conversion rates between future euro members, exploiting the 15 per cent fluctuation bands in the ERM to secure a "managed float".

Provided target rates were credible, substantial central bank intervention would be needed only at the end of the transition period to Emu in late 1998, bankers believe. Definitive rates would be set on Emu's launch in 1999.

Fischler slams slack food safety standards

By Maggie Urry in London

Some European states are failing to apply standards designed to eliminate BSE or "mad-cow" disease and tighter controls are needed to prevent a risk to human health, the European Commission said yesterday.

Mr Franz Fischler, the EU farm commissioner, said inspections carried out in member states had revealed "a certain weakness" in the "implementation and control of the rendering standards and the ban on feeding meat and bone meal to mammals".

The Commission endorsed Mr Fischler's recommendations which were backed by Ms Emma Bonino, the commissioner responsible for consumer health. She said the implementation of the policy was "critical for consumer safety" and "member states must shoulder their responsibilities".

The Commission had found the rules were being broken, and were presenting "a risk to animal and human health".

The recommendations include action to ensure standards for processing animal waste introduced on April 1 this year were "fully implemented by all member states".

Mr Fischler also recommended the Commission should "insist" on a ban on specified risk material – the parts of an animal which are thought to carry BSE, such as the brain and spinal cord – in all human and animal feed throughout the EU.

An attempt to introduce such a ban was defeated at a meeting of the farm ministers' council in December. Since then, Mr Fischler said, the findings from the inspections made the case "stronger than ever".

Mr Fischler will now draft detailed proposals which will go to the EU's Standing Veterinary Committee. A qualified majority of that committee would be sufficient to adopt the proposals. Failing that Mr Fischler again will push his plans in the farm ministers' council.

UK farm leaders have long pressed for the EU to adopt the stricter controls which apply in the UK. Mr Ian Gardiner, policy director of the National Farmers' Union, said he welcomed the Commission's move.

He said if the proposals were applied it would give greater assurance to consumers that beef was safe to eat. He said "there is now a general acceptance in the Commission that BSE is not just a UK problem. It's worst in the UK, but the other 14 cannot wash their hands of it."

Further, he said, it would make a more level playing field for British beef producers who have complained that other European countries have been using the UK as a "sink" for their beef and undercutting prices.

Oil pipeline hope may spur Azeri peace

By Bruce Clark in Washington

Senior US, Russian and French officials will confer in Washington today in an effort to hammer out a joint approach to ending more than nine years of conflict between Armenia and Azerbaijan.

The initiative follows a series of unexpected statements from President Heydar Aliyev and other Azeri officials that in the event of a settlement, they would accept the idea of a pipeline through Armenia to transport some of the vast oil reserves of the Caspian.

The Azerbaijan International Operating Company, a BP-led consortium which has signed an $8bn contract to extract oil off the Azeri coast, has yet to decide which route to use to transport its main output.

Its initial production, or early oil, will be divided between two pipelines: one through Georgia, and the other passing through the former war zone of Chechnya to the Russian port of Novorossiysk.

The viability of the Chechen route has been enhanced by this week's Russian-Chechen peace accord – but also overshadowed by clashes between Moslem sects in the neighbouring Russian region of Dagestan.

An Armenian route – unthinkable as long as the Azeri-Armenian standoff continues – would provide one of the shortest paths to ports on the southern coast of Turkey.

The US and France have recently joined Russia as co-chairmen of the 11-nation Minsk group which has been trying to settle the bitter dispute over the status of Nagorno-Karabakh, an Armenian-populated enclave of Azerbaijan.

Tens of thousands of people were killed in fighting before a 1994 ceasefire which has been violated by several recent skirmishes.

Today's meeting is aimed at working out a formula for balancing Azerbaijan's insistence on full sovereignty over its territory and Armenia's concern for the security of its ethnic kin.

Previous proposals have called for the early return of thousands of Azeri refugees who were driven from their homes in the region around Karabakh in 1992-93.

However the status of the Lachin corridor, linking Armenia with Karabakh, and the town of Shusha which is the region's highest point, have generally been sticking points.

"We would welcome the economic benefits of a pipeline but we will not trade the security of Karabakh for oil," said Mr Rouben Shougarian, the Armenian ambassador to the US, yesterday.

If the western powers and Russia, which are rivals for influence in the region, can agree on the common approach they could sent a joint delegation to put pressure on the parties, diplomats said.

Mr Caspar Weinberger, the former US defence secretary, has this month castigated the administration for conceding too much to Russia and Armenia in the tug of war over control of the Caspian region.

He said Russia's "oil grab" in the Caspian could turn out to have greater strategic significance than the expansion of Nato.

Mediators kept waiting by Kabila

By Michela Wrong in Kinshasa

A last-ditch attempt to arrange a peaceful transfer of power in Zaire was delayed yesterday as the rebel leader, Mr Laurent Kabila, once again kept South African mediators waiting for him to turn up for his shipboard meeting with President Mobutu Sese Seko.

Exhibiting the same behaviour that held up the first summit 10 days ago, the guerrilla leader missed his rendezvous in the Angolan oil town of Soyo with South Africa's defence minister, meant to take him by helicopter to the SAS Outeniqua.

A rebel spokesman said Mr Kabila was waiting in the Angolan enclave of Cabinda. For "security reasons", he would only join Mr Mobutu, President Nelson Mandela and UN envoy Mohamed Sahnoun on the warship once it had left the Congolese port of Pointe Noire and sailed into international waters.

The rebels expect Mr Mobutu to sign his resignation at the summit, and in public at least have rejected key elements of what diplomats say is the framework agreement on the table: power-sharing with Zaire's political class under an interim president who replaces Mr Mobutu, with elections in a year.

But South African negotiators yesterday claimed to be confident of a successful outcome to the meeting, which is believed to represent the last chance for a settlement before a military assault on Kinshasa.

"We assume that most differences have been resolved and that outstanding differences will be resolved," Mr Aziz Pahad, South Africa's deputy foreign minister, said. "If not, we wouldn't be here."

The talks are being closely monitored by Kinshasa's 5m residents, who yesterday heeded an opposition call for a general strike to protest at Mr Mobutu's refusal to quit office. After Mr Mobutu's 40-vehicle motorcade whisked through the city centre on its way to the airport, Kinshasa remained uncannily quiet. Boys played football in the usually busy streets and offices and shops were closed.

Outside the home of Mr Etienne Tshisekedi, the opposition leader who called for the "dead city" day, a group of his supporters were playing draughts with used bottle tops. "We hope the president will not be coming back. The country spat him out and you can't swallow your saliva once it's gone," said one.

But the mood remained tense following the introduction on Tuesday of a dawn-to-dusk curfew and wild claims by the rebels, estimated to be some 150kms from the capital, to have already captured Kinshasa.

Turkey hits PKK bases in northern Iraq

By John Barham in Ankara

Turkish forces attacked Kurdish guerrilla bases in northern Iraq at dawn yesterday, moving thousands of troops into the region and launching fighter and helicopter raids on five large camps which Turkey says were harbouring guerrillas of the Kurdistan Workers' party (PKK).

Mr Turhan Tayan, Turkey's defence minister, said Turkey was responding to an appeal for help from a local Kurdish militia which had told Ankara the "PKK was attempting to dominate the region. The people were suffering PKK oppression."

He said Turkey's participation in the operation was limited to providing air, artillery and logistical support to militia of the Kurdistan Democratic party (KDP), an Iraqi Kurdish group that has controlled the region since the Gulf war ended six years ago.

However, the government's Anatolia news agency reported several heavy clashes between Turkish forces troops and PKK fighters. Turkish and Kurdish forces have imposed a strict blackout on independent news reports from the area.

Mr Tayan said the absence of effective government in Iraq's Kurdish enclave has allowed the PKK to establish bases close to the Turkish border. Turkey could not allow this, but would withdraw troops when the operation was over.

President Saddam Hussein of Iraq lost control of northern Iraq in 1991, when the US and its western allies turned administration over to two local Kurdish groups. A United Nations resolution banned Iraqi flights above the 36 parallel. Last September, the KDP joined forces with Mr Saddam to occupy part of the enclave held by a rival Kurdish group.

The PKK set up camps there to launch attacks into mainly Kurdish south-eastern Turkey, where it began fighting the government 12 years ago. More than 20,000 soldiers, civilians and guerrillas have died in the fighting.

Turkey has launched numerous raids in northern Iraq in abortive attempts to remove the PKK from the area. In 1995 it occupied a section of northern Iraq. Ankara even has attempted to establish a 10-mile-deep *cordon sanitaire* along its frontier with Iraq. However, the guerrillas simply melt into the mountains only to return when Turkish troops leave.

In spite of its overwhelming superiority in numbers and equipment, Turkey's security forces have failed to crush the PKK. Each spring commanders announce a "final offensive" against the PKK. Yesterday the government said 30 PKK guerrillas were killed in fighting inside Turkey.

Military commanders say a scorched earth policy in south-eastern Turkey they initiated two years ago has cut off support to the PKK while the army has regained control of all territory once controlled by the guerrillas.

They reject calls by its western allies and some local political leaders to end the uprising by offering limited autonomy to the Kurdish region or negotiating with non-PKK Kurdish representatives.

Iran coping well with earthquake havoc

Political and cultural sensitivities explain why foreign rescue teams are not encouraged

Iran's President Hashemi Rafsanjani was quick to break a state visit to neighbouring Turkmenistan earlier this week to tour earthquake-hit areas of southern Khorasan Province near the Afghan border, where he promised IR500,000 ($167) to every individual who had lost a relative.

The earthquake was the latest of more than a dozen since February, leaving thousands dead and several hundred thousand homeless in politically sensitive areas populated by significant ethnic and sectarian minorities.

The two most serious quakes were in Ardabil in the north-west near the Azerbaijan border, and in Bojnurd in north-east Khorasan near the border with Turkmenistan.

"The whole country is an earthquake zone," one diplomat remarked.

"Do not forget it was the 1978 earthquake which showed up the ineffectiveness and corruption of the previous regime and led to widespread protests and the public humiliation of the Shah's wife, the Empress Farah Diba, when she toured stricken areas.

South Khorasan earthquake aid

Donors	($)
UN	810,000
Australia	155,000
Canada	120,000
Denmark	35,000
Finland	150,000
France	39 tonnes of relief
Germany	285,000
Ireland	115,000
Italy	330,000
Japan	620,000
Netherlands	100,000
New Zealand	210,000
UK	170,000
Total	3.5m

Source: UNDP Tehran


Devastation in Ardakul: western diplomats praise Iran's relief operations AP

"The government today will go to great lengths to see that people's immediate needs are met, and see that history does not repeat itself."

Such historical political and ethnic sensitivities add to the financial cost, as well as the urgency of the government's reconstruction efforts and partly explain Iranian resistance to foreign rescue teams.

Political sensitivities in eastern Khorasan are further aggravated by the residual presence of large numbers of Afghan refugees whose overgrazing of previously arable land has distorted the local economies, and who are better known for the smuggling of narcotics.

In part because of these sensitivities, "Iran is extremely organised when it comes to quake relief," Count Michael von der Schulenburg, the United Nations displaced people's co-ordinator, says.

According to the Interior Ministry, more than 1,500 people have so far died, a figure revised downward from the 2,400 originally thought to have been killed, along with 2,200 injured in the latest earthquake with a force of 7.1 on the Richter scale. Nevertheless, some 50,000 people have been made homeless in the latest earthquake alone.

Initial estimates by the interior ministry put the cost of repairing damage at $100m but a total damage evaluation from the Khorasan tragedy will not be completed until next week.

By contrast, the amount of cash and aid in kind which has been given or promised by donor countries, including Iran's arch foe, the US, and European Union states involved in diplomatic rows with Tehran, amounts to less than $10m.

The cost of reconstruction and repair of irrigation facilities in the area known as Iran's "saffron capital" comes at a time when prices for Iranian crude, revenues from which provide more than 40 per cent of the country's hard currency earnings, are reckoned by diplomats to have fallen last month to $15.50 per barrel, or $2 less than the budgeted figure.

Production, which last year ran as high as 4m barrels a day, has declined to 3m b/d to allow for maintenance postponed from when prices were higher and Iran was pumping as much oil as it could. It is also partly due to political sensitivities, and language and cultural differences, that foreign rescue teams are not encouraged.

Western diplomats are, however, generous in praising Iran's agencies. "When it comes to relief work, they alone know best, and better than any foreigner, how to repair the underground water canals and the irrigation systems," one said. "Iranians built them in the first place. If donor countries want to help, they should offer the money, all of which Iran accounts for; as well as the technical equipment, and let the government decide its own priorities."

Robin Allen

Beijing set for $2bn in French deals

By Tony Walker in Beijing

China's lavish welcome for President Jacques Chirac of France, who arrives in Beijing today, is expected to include contracts worth as much as $2bn, including commuter aircraft, aero-engines and helicopter parts, as well as a large order for Airbus jets.

Mr Chirac is due to preside over a signing ceremony for 30 Airbus airliners, including 10 A320s and 20 A321s. China may also take options on another 20. The French company Aérospatiale holds a 38 per cent share in the Airbus consortium.

Beijing is also due to sign a preliminary agreement for manufacture of a 100-seater aircraft. Partners include Aviation Industries of China, Airbus Industrie, Alenia of Italy, and Singapore Technologies Aerospace.

China is also expected to use Mr Chirac's visit to announce it is buying five of Aérospatiale's ATR-72 commuter aircraft for use in its far-west Xinjiang region.

France's Snecma, the aero-engine manufacturer, is due to sign a memorandum of understanding to supply its CFM56-9 for the new 100-seater aircraft, planned to go into service early next century.

Snecma has beaten fierce competition from Rolls-Royce, which had hoped to sell its BR715.

French-led consortia are also co-operating with China to produce rotor blades for helicopters and parts of the rear fuselage of the ATR-72s.

Axa UAP, the French insurance company, will be given permission to engage in direct business in China. Axa opened a representative office in 1989, and has offices in three cities: Beijing, Shanghai and Guangzhou.

The world's insurance companies are queueing to enter China but only a handful have been granted licences to engage in business there. These include American International Assurance and Tokio Marine & Fire Insurance.

China's Airbus purchase continues the European consortium's stronger showing in a market dominated by Boeing. The American company, with McDonnell Douglas, accounts for about three-quarters of China's commercial aircraft, but Airbus is slowly closing the gap. Airbus sold 30 A320s during a visit to France by Mr Li Peng, China's prime minister, in April 1996.

Mr Chirac, who is accompanied by some 60 heads of big French companies, will be seeking to present himself as a firm supporter of French business at a time when France's economy is sluggish and unemployment is at record levels. As well as meeting China's leaders in Beijing, he will open a French technology exhibition grouping some 300 French companies in Shanghai.

China and its main trade partners will hold a new round of talks in Geneva next week on Beijing's attempt to join the World Trade Organisation (WTO), diplomats said yesterday, Reuter reports. A Chinese delegation would meet representatives of the US, European Union and Japan, and take part in meetings of the WTO working party studying its application. "We will look for more signs of flexibility from China," one envoy involved in the negotiations declared. Another said the talks, three weeks after Mr Renato Ruggiero, WTO director-general, met Chinese leaders, would show how fast China was ready to move.

Europe, America 'will be best for business'

By Guy de Jonquières

Western Europe and North America will be the world's most congenial locations for business and investment in the next five years, while the appeal of many fast growing Asian economies is set to decline, according to a survey*.

The survey, by the Economist Intelligence Unit, forecasts the Netherlands will have displaced Hong Kong by the year 2001 as the location offering the most attractive all-round business environment, with Britain in second place.

The survey, covering 58 countries, aims to reflect the main criteria used by companies to choose international locations. The rankings are based on statistical data, business surveys and assessments of political and economic conditions.

The EIU concedes that high taxes and rigid labour markets handicap business in much of western Europe, but forecasts the region will account for seven of the world's 10 most attractive locations in 2001.

It argues that western Europe's strengths in other areas, such as a large market, modern infrastructure and political stability, more than compensate for the region's weaknesses, which it expects to be tackled through more purposeful deregulation and reform.

Europe's attractions to international businesses are borne out by its role as the world's leading destination for foreign direct investment, a position unlikely to be challenged in the next five years.

Hong Kong is expected to fall to 14th in the rankings, reflecting the risk that China will not fully honour its promise to keep the territory stable and prosperous after this year's handover.

Hong Kong will continue to retain many principles of a market economy, but warns the territory's business environment is likely to suffer from erosion of the rule of law, political friction and an increase in corruption and state intervention.

Singapore is forecast to be the only Asian entrant ranked among the top 10 countries in 2001. Many Asian economies will grow rapidly, but the region's outlook is clouded by uncertainties. "Much of Asia may... now face a daunting set of political and cultural problems, as many countries appear to lack the institutions and political depth necessary to meet new challenges," the EIU says.

It expects these problems to handicap deregulation of financial and labour markets and be particularly severe in China, Indonesia, Thailand and Vietnam. Brazil, Italy and Sweden are likely to achieve the biggest improvement in its rankings over the next five years; Hong Kong, Colombia and New Zealand are forecast to suffer the largest falls.

* *International Business Environment Rankings; Global Outlook, 2nd quarter 1997. EIU, 15 Regent Street, London SW1Y 4LR. Tel: 44171-830 1000. Fax: 499 9767. e-mail: london@eiu.com*

Business environment scores and ranks

	1992-96		1997-2001		
Ranking	Total score		Ranking	Total score	Change in ranking
Hong Kong	8.69		14	8.15	-13
UK	8.53		2	8.72	0
Netherlands	8.46		[illegible]	8.78	[illegible]
Singapore	8.40		[illegible]	8.49	[illegible]
Canada	8.25		3	8.53	2
US	8.28		5	8.45	1
Denmark	[illegible]		8	8.40	[illegible]
New Zealand	8.03		[illegible]	8.19	[illegible]
Switzerland	7.94		9	8.31	0
Germany	7.92		7	8.39	3

Source: EIU

US confident over talks for hemisphere free trade area

By Geoff Dyer in São Paulo

Mr William Daley, US commerce secretary, is confident of avoiding a breakdown in negotiations to create a Free Trade Area of the Americas (FTAA) this week despite a significant disagreement between the US and the Mercosur trade grouping over how to proceed.

Speaking on the eve of the meeting today and tomorrow between trade ministers of the 34 countries involved in the FTAA, Mr Daley played down fears that the failure so far to reach an agreement on a timetable for negotiations on reducing tariffs would result in an open dispute between the US and Mercosur, whose members are Brazil, Argentina, Uruguay and Paraguay.

"There is no risk that the process will fall apart," said Mr Daley, who is on his first trade mission since taking up his post earlier this year.

The meeting, in the Brazilian city of Belo Horizonte, had been designed to outline a timetable for detailed negotiations, starting next year after a western hemisphere summit in Santiago, Chile, in March.

However, talks have so far made only slow progress. The US, backed by Canada, wants to go straight into negotiations on reducing tariffs next year.

Brazil, on behalf of Mercosur, wants to take a more gradual approach, dealing with non-tariff issues first and delaying talks on tariffs until perhaps the year 2003.

Brazil argues its economy is not yet ready for another economic shock, following the measures it took to liberalise trade at the beginning of the decade.

Daley: no risk of free trade venture falling apart despite failure to timetable for tariff-cutting talks

Mr Daley rejected Brazilian criticism of Washington's trade regime, saying the US "continues to be one of the world's most open economies". More than 25 per cent of Brazil's exports to the US entered there duty-free, he added.

Brazil exported nearly $9bn worth of goods to the US last year, more than its exports to its Mercosur partners, the Andean Pact countries, the Central American common market and Caricom combined.

In the build-up to the Belo Horizonte meeting, the Brazilian government has escalated criticism about what it sees as unfair US trading practices in areas such as orange juice, shoes and textiles. Mr Daley said that he had received several complaints from US companies about the restrictions Brazil imposed in April on short-term financing of imports, which he claimed set "troublesome precedents".

Leaders from the 34 countries – all those of the western hemisphere except Cuba – agreed at a summit in Miami in 1994 to set up the free trade area by 2005.

Freer travel 'boost to third world'

By Frances Williams in Geneva

Developing countries could create millions of new jobs and add billions of dollars to their export earnings if their nationals could travel more freely to rich nations to provide services, according to a study prepared for the International Organisation for Migration*.

According to its author, Prof Bimal Ghosh, industrialised countries would also benefit from access to cheaper services as well as from reduced pressures for permanent immigration.

The study argues that many developing countries already have a competitive edge in services such as engineering, accounting, management consulting, nursing and cleaning.

Skill and knowledge-based services that can be delivered using telecommunications networks, such as data processing and computer programming, could alone create between 6m and 30m new jobs in the developing world and raise export income by $210bn annually, according to the study.

This is more than double the present value of their earnings from services exports.

> The pay-off 'would be millions of new jobs, along with billions more dollars in export earnings'

But Prof Ghosh says the potential gains will remain largely unexploited if service-providers face obstacles in travelling to industrialised countries to market their wares and complete delivery.

He advocates an internationally harmonised special visa regime to facilitate trade-related temporary movements.

This might be one area for negotiation when talks on liberalising services resume in the World Trade Organisation in the year 2000.

Developing countries, including India, Egypt and the Philippines, pressed without much success for easier movement of service-providers during the Uruguay Round of global trade talks that ended in 1993.

A further attempt to link the issue with negotiations on financial services in 1995 also produced few results, but there are signs of increased interest by richer nations which want fewer restrictions on the temporary movement of their own managers and specialists to operate foreign subsidiaries.

Prof Ghosh said yesterday that if skilled workers from developing nations could sell their services from home, with overseas travel where necessary, they would be less inclined to migrate on a permanent basis.

Their skills would also help build an efficient domestic services sector needed for economic development.

* *Gains from global linkages: Trade in services and movements of persons, by Bimal Ghosh. Published by Macmillan, London (St Martin's Press, New York, for the US)*

South Asians set free trade deadline

By Amal Jayasinghe in the Maldives

Seven South Asian nations yesterday agreed to establish a free trade bloc within four years and open political talks to end bilateral tensions plaguing the region.

The Maldives' President Maumoon Abdul Gayoom, chairman of the South Asian Association of Regional Co-operation (SAARC) and host of three-day summit, said the 2001 deadline to establish a free trade area could be achieved because of fresh political commitment.

"Unless we tune our economies to draw strength from regionalisation, we would lose a great opportunity to accelerate our economies and social development," he said.

President Chandrika Kumaratunga of Sri Lanka, whose country initiated the free trade idea in 1991, said fixing the 2001 deadline was a signal to the international community and people living in South Asia. "We are expressing our commitment to trade liberalisation in our region," she said.

However, a preferential trade agreement between the members of SAARC – Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan and Sri Lanka – has not been fully implemented and trade talks have yet to be completed. Member states have agreed some tariff concessions but private sector critics say they are too little and that what is given is taken back by way of non-tariff barriers.

Pakistan's foreign minister, Mr Gohar Ayub Khan, said a resolution of the dispute between India and Pakistan over Kashmir could rejuvenate economic activity throughout the region. "Once you resolve this issue, you will see the potential and latent energy of the sub-continent coming in to its own," Mr Khan said. "We hold one fifth of the world's population but we are hamstrung as if someone is tying us down with this problem."

The SAARC summit, held in the one-and-a-half-square kilometre Maldivian capital, Male, yesterday agreed to address contentious bilateral issues, although the group's charter precludes such discussions.

President Kumaratunga underlined the need for easing tensions in the region when she called for informal meetings between South Asian leaders to iron out outstanding disputes.

OECD Export Credit Rates

The Organisation for Economic Co-operation and Development announced new minimum interest rates (%) for officially supported export credits for May 15 to June 14 (April 15 to May 14 in brackets).

D-Mark	5.91 (6.00)
Ecu	5.82 (5.63)
French franc	6.04 (5.84)
Guilder	
up to 5 years	5.55 (5.56)
5 to 8.5 years	6.25 (6.25)
over 8.5 years	7.00 (7.00)
Italian lira	6.17 (7.33)
Yen	2.30 (2.30)
Peseta	7.14 (7.26)
Sterling	8.36 (8.16)
Swiss franc	4.47 (4.59)
US dollar	
up to 5 years	6.61 (7.38)
5 to 8.5 years	6.76 (7.54)
over 8.5 years	6.86 (7.65)

These rates are published monthly by the Financial Times, normally in the middle of the month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid. Interest rates may not be fixed for more than 120 days.

WORLD TRADE NEWS DIGEST

Brussels under McDonnell fire

Mr Karel Van Miert, the European commissioner who has led the opposition to the planned merger of Boeing and McDonnell Douglas, was yesterday accused of prejudging the competition issues and trying to start a trade war.

"To hold the merger hostage – and I will use that term – is totally inappropriate, and I would say the man has prejudged it," Mr Harry Stonecipher, McDonnell chief executive, said in Washington.

His protest added to the mounting outcry against the competition commissioner's tactics. The aerospace companies, which had previously maintained a relatively low profile, are showing signs of heightened anxiety as the deadlines approach for regulatory rulings on the $13bn merger.

They have also been encouraged to speak out by support from the Clinton administration: Vice-President Al Gore recently promised acton to stop the EU blocking the deal. A group of senators has also joined the fray, writing to the president and accusing the Commission of prejudging the issue. *Christopher Parkes, Los Angeles*

Editorial Comment, Page 15

Central Asia transport call

The 10-nation Economic Co-operation Organisation called yesterday for improved transport in central Asia and discussed building several gas pipelines.

Delegates to a summit in the Turkmenistan capital stressed the need for co-operation in completing links between roads and railways and for speeding up the drafting of trade and transport agreements.

The ECO groups Turkey, Iran, Pakistan, Afghanistan, Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan and promotes regional economic co-operation. The organisation said it would consider Turkmenistan's proposal to construct five pipelines for export of natural gas to Iran, Turkey, Afghanistan and China, and on to Europe, Pakistan, Japan and the Persian Gulf. *AP, Ashgabat*

Singapore targets insurance

Singapore is bidding to become the focus of Asia's US$1.6bn regional marine insurance market, the country's insurance commissioner said yesterday. "We are in close dialogue with Lloyd's of London as part of its proposal to establish a greater presence in Singapore and the region," Ms Lim Shu Chiau said in a speech to regional shipowners and insurers.

Ms Lim said her office and the Monetary Authority of Singapore were also in talks with two Protection and Indemnity (P&I) clubs planning operations in the island republic. Analysts say marine business is worth about US$6.8bn a year to the London market. *Reuter, Singapore*

Fewer border patrols urged

The US and Canada should relax border patrols and improve highways to meet growing trade demands, officials from the two countries said. The Eastern Border Transportation Coalition, calling for free border crossings by 2012, said in a report that projected traffic increases and inadequate roads could lead to an economic crisis.

The Coalition said trade between the two countries was expected to reach $454bn by 2015, nearly double the $272bn in 1995. The report, funded by the US Federal Highway Administration, recommended that the two countries consider reducing paperwork at border crossings, sharing personnel and facilities and moving inspection centres away from crossing points to reduce traffic congestion and delay. *AP, Washington*

business'

South Asians set free trade deadline

By Amal Jayasinghe in the Maldives

Markets slide on Brazilian scandal

By Jonathan Wheatley in São Paulo

Allegations of vote-buying in Brazil's Congress sent shares on the country's stock markets into sharp decline yesterday in a scandal that could derail the amendment allowing President Fernando Henrique Cardoso to stand for a second term as president next year.

The markets were reacting to newspaper reports accusing Mr Sérgio Motta, communications minister, of involvement in reported payments to federal deputies who supported a constitutional amendment allowing the president, state governors and mayors to run for a second consecutive term in office.

The scandal could also slow progress on other constitutional changes seen as essential to long-term economic stability, all requiring three-fifths majorities in both houses of Congress.

The São Paulo Stock Exchange Index (Ibovespa) plunged 3.5 per cent by mid-session. The index had risen over 50 per cent this year on a wave of optimism partly inspired by the prospect of a second term for President Cardoso.

Mr Cardoso's supporters won a tough congressional battle in January when they secured first-round approval for the constitutional amendment. It must now be approved in the Senate, where a commission examining the issue was suspended on Tuesday after the allegations were published by a local newspaper, Folha de S. Paulo.

The newspaper published transcripts of telephone conversations in which a federal deputy allegedly admitted receiving R$200,000 ($188,679) in exchange for his vote, and accused four other deputies of taking similar bribes.

"This is very worrying indeed," said Mr Alberto Alves Sobrinho of local brokerage Fair Corretora. "If the allegations are confirmed they will cause big political complications and widespread damage to the reform programme."

A congressional investigation is expected to publish its findings next week. Analysts fear Congress may then instigate a full parliamentary inquiry, diverting attention from reforms.

Markets recovered quickly from the initial shock of Tuesday's allegations, but were shaken again yesterday when Folha published new transcripts implicating Mr Motta. The newspaper said it had obtained taped telephone conversations in which two deputies accused of taking bribes allegedly implicated Mr Motta, suggesting he had paid the governor of Amazonas state to make the bribes. Mr Motta has so far refused to comment on the allegations.

Market report, Page 36

Klimt landscape fetches $14.7m in New York sale

By Antony Thorncroft

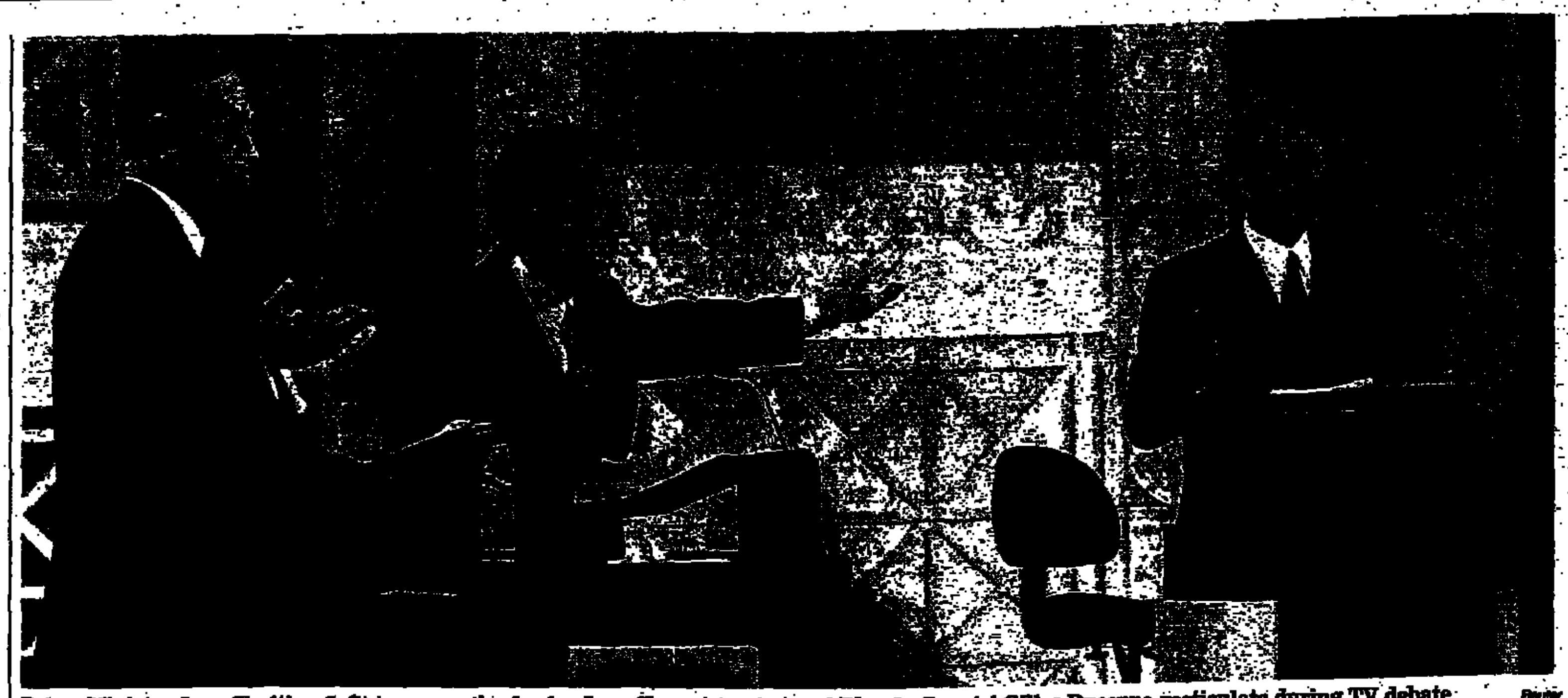
One of the finest landscapes by Gustav Klimt sold for $14.74m at Sotheby's in New York on Tuesday night. The price was double the pre-sale estimate and established an auction record for this leading Viennese Secessionist artist. Klimt painted "Litzlbergerkeller Am Attersee" on the shores of Lake Attersee in 1915 and the work is clearly influenced by Van Gogh, with its thick brush strokes.

It was the top price in a successful auction of Impressionist and Modern art, which brought in $81.3m, with 50 of the 66 lots on offer finding buyers. "Danseuses", an important late pastel by Dégas, also comfortably beat its estimate, selling for $11m, an auction record for a Dégas pastel.

One of Modigliani's 26 portraits of his wife, Jeanne Hébuterne, who committed suicide two days after the artist's early death in 1920, sold within forecast for $9.57m, and a European dealer paid $3.63m for "Fleurs et Fruits", a still life by Renoir.

There was a record price for a Jean Gris collage when "Guitare et Verre" made $1.2m; Henry Moore was on target, with "Reclining Figure-Bone Skirt" selling for $2.2m to a private collector.

The sale confirmed the strength of the top end of the art market, boosted by the international range of interest. Around half the lots went to Americans, mainly private buyers, with the remainder split between Europeans and Asians.



Prime Minister Jean Chrétien (left), conservative leader Jean Charest (centre) and Bloc Québecois' Gilles Duceppe gesticulate during TV debate Reuter

Canada's TV poll debate falls flat

A stronger showing by the Conservatives fails to dent the lead of the Liberals

By Bernard Simon in Toronto

Many Canadians wish the interminable debate over Quebec secession would go away. Their wish was granted in a dramatic and unexpected way on Tuesday evening.

Party leaders had just taken up the national unity issue in the French-language TV debate ahead of next month's general election when the moderator, a prominent Quebec TV personality, collapsed.

As she was carried out organisers cancelled the remaining 35 minutes of the debate. It is unlikely to be rescheduled.

The interruption came as Mr Jean Chrétien, prime minister, was being asked the most charged question of the evening: "Would he recognise a narrow Yes majority if Quebec were to hold another independence referendum?"

The party leaders, their spin-doctors, pollsters and the public at large were left pondering what opportunities had been lost and pitfalls avoided in the absence of one of the campaign's more eagerly awaited moments.

With interest in the French TV debate centred on Quebec, some commentators said yesterday that pro-Canada leaders, notably Mr Chrétien and Mr Jean Charest, leader of the Progressive Conservative party, had been deprived of a golden opportunity to put across a message Québecois seldom hear.

Others thought Mr Gilles Duceppe, leader of the separatist Bloc Québecois, had the most to gain by the debate continuing after a disastrous first two weeks of campaigning. His assertive performance in the TV debate suggested he was looking forward to reminding Québecois how Canada had failed them.

There was wide agreement the biggest winner from the earlier English debate on Moday and the first two hours of the French one was Mr Charest. "The Conservatives have had some momentum over the past couple of months, and this added to it," said Ms Donna Dasko, vice-president at Environics, a Toronto-based pollster.

Mr Charest, 38, elicited the only burst of applause from the audience at the English debate with a spirited promise "to pass on to (my children) the country I received from my parents." The Conservatives' campaign rests so heavily on their leader that the party has been nicknamed Les Charestistes in Quebec. However, it is not yet clear whether recent gains will be sufficient to put many more Tories into the House of Commons on election day.

The party, which governed Canada from 1984 to 1993, won only two seats in the last election, despite gaining 16 per cent of the votes. Its support is spread across the country, making it vulnerable to regional parties. The Reform party won 52 seats in western Canada in 1993 and split the right-of-centre vote in many Ontario constituencies.

Mr Chrétien's Liberals remain far ahead in opinion polls. According to an Angus Reid/Southam News poll last week, 42 per cent of decided voters back the Liberals, followed by the Conservatives (19 per cent), Reform (18 per cent), the social-democratic New Democrats (11 per cent), and the BQ (9 per cent).

Mr Chrétien fended off attacks in the TV debates by pointing to the Liberals' record of bringing interest rates down to the lowest level in 35 years and sharply lowering the federal budget deficit.

He dismissed Conservative and Reform promises for an early tax cut – a centrepiece of their platforms – as a blatant attempt to buy votes.

Mr Chrétien compared Canada's present fiscal situation to the final period of an ice-hockey game. Why give up by cutting taxes, he asked, before the game is over and the budget balanced? Economists predict the deficit will be eliminated within the next 2-3 years.

On national unity, the prime minister defended the Liberals' incremental approach of making selective concessions to Quebec, such as the recent transfer of jurisdiction over labour training. "I do not believe in big schemes," he said. "I believe in solving problems one by one."

Before the debate was called off, Mr Duceppe castigated the Liberals for not giving Quebec its fair share of government spending. He blamed them for everything from Montreal's depressed economy to excessive unemployment insurance premiums. But the federalists got in a few barbs of their own. Mr Chrétien raised laughter by goading Mr Duceppe over an incident two weeks ago when the BQ's campaign bus got lost.

Fabían Alarcón seems likely to secure the presidency in this month's referendum, writes **Justine Newsome**

Vital political test for battle-scarred Ecuador

The battle by Mr Fabían Alarcón, Ecuador's stand-in president, to win international support for his government faces a vital test a week on Sunday.

Ecuadoreans will be asked in the May 25 national referendum to ratify the removal of president Abdala Bucaram in February, after two days of mass national anti-government protests, and the appointment of Mr Alarcón as interim president until August 1998.

In addition there are a host of political reform proposals, including plans for a national assembly to reform the constitution, changes to general elections procedures and modernisation of the judicial system.

Mr Alarcón, it is said, originally opted for a referendum in the hope he could ask Ecuadoreans to extend his term to the year 2000, completing Mr Bucaram's period. Fellow politicians looked unkindly on that idea, so the president decided to bolster his uncertain constitutional status by asking the electorate to ratify his predecessor's removal and his appointment all in one question.

With this question format, it would have been impossible for Ecuadoreans to reiterate rejection of the allegedly corrupt, nepotistic and authoritarian Bucaram government without simultaneously supporting Mr Alarcón.

Amid criticism that rejection of Mr Bucaram was thus being manipulated into a positive mandate for his successor, Mr Alarcón made another apparent concession. He split the first question to allow Ecuadoreans to vote separately on each issue. But voters are beginning to realise that it may not have been such a big concession.

The latest opinion polls by local firm Market, following a survey of eight provinces on May 4 and 5, show 73 per cent of Ecuadoreans will ratify the removal of Mr Bucaram and 61 per cent will support the appointment of Mr Alarcón. At this rate, Mr Alarcón will have his own popular mandate as a result of the referendum.

Mr Bucaram has been capturing the international airwaves from Panama, which this month granted him political asylum. He railed against Mr Alarcón, congress and the armed forces whom he accuses of mounting a coup against his government in February. A positive referendum vote will set the record straight for prosperity, argues the new president, so in future there is no risk of anyone questioning congress's actions in February and, by implication, his presidency.

To some extent, Mr Alarcón is tapping a chord of popular opinion. He is not the only Ecuadorean frustrated that other nations find it difficult to understand the strength of the popular uprising against the Bucaram government in February.

"Outside the country there is a distorted image," said Mr Polivio Cordova, of polling firm Cedatos. "It is very appropriate to have a referendum, as the people will demonstrate at the ballot box what they showed in the street. Alarcón was the best alternative congress could have chosen."

However, the referendum will mark the first of four elections over the next 14 months if, as expected, Ecuadoreans vote in favour of electing a constituent assembly. This electoral panorama imposes financial costs and political uncertainty which Ecuador can ill afford, opponents say. The government is staffed with representatives of the different congressional blocks which supported Mr Alarcón's appointment in February. They and congress, where his Frente Radical Alfarista (FRA) has only three seats, will also become less co-operative as the 1998 congress and presidential polls approach.

The government made a successful $500m eurobond issue in April. Foreign investor confidence in oil sector policy has been experiencing a fragile recovery, as the government shows a clear commitment to find private financing and go ahead with expansion of the cross-country oil pipeline. With the limited investment horizon already caused by the fact the Alarcón government must leave office in August 1998, why introduce further elements of uncertainty?

The need to convince international opinion may be overstated, critics say, to mask Mr Alarcón's own political ambitions. If Mr Alarcón derives his own popular mandate from the referendum, he may be able to loosen the shackles of congressional influence on his government, giving him more autonomy in policy making.

Mr Alarcón is a populist who will tend to use state resources for proselytising to make the FRA into a big party, according to former president Osvaldo Hurtado.

If the February political crisis had not arisen and Mr Bucaram had gone on to complete his term, Mr Alarcón, a consummate politician and three times president of congress, was tipped as a strong presidential candidate for elections in 2000. As a sitting president he cannot run for re-election immediately but must wait a term out of office first. He cannot now run in 1998, but he will be keen not to ruin his chances of a future candidacy.

Japan's external surplus falls 24%

By William Dawkins in Tokyo

Japan's current account surplus fell by nearly a quarter in the 12 months to March, reaching a seven-year low. But economists predicted a rebound in the politically sensitive surplus this year and warned of a revival of US-Japan trade tensions.

The surplus plunged 24.3 per cent to Y7,180.2bn ($60.5bn) in the last fiscal year, in line with market expectations. This is equivalent to 1.4 per cent of gross domestic product, compared with 3.1 per cent of GDP in 1993, when the surplus was the focus of bitter trade disputes between Tokyo and Washington. The full-year decline – the fourth consecutive annual fall – comes after a 17 per cent fall in the surplus in March compared with the same month last year, the finance ministry announced yesterday.

The main factor behind the smaller trade balance was a relatively strong yen in the first half of 1996, which, by rendering Japanese goods more expensive abroad and encouraging manufacturers to shift output abroad, held export growth down to 9.5 per cent.

Imports, meanwhile, rose more than twice as fast as exports, by 22.4 per cent, sucked in by robust domestic demand. As a result, the surplus on trade in goods and services fell by 23.6 per cent per cent last year to an 11-year low of Y8,809bn. This includes a sharp rise in the deficit on services, up by 21.6 per cent to Y6,868bn, thanks to a growth in the number of people travelling abroad.

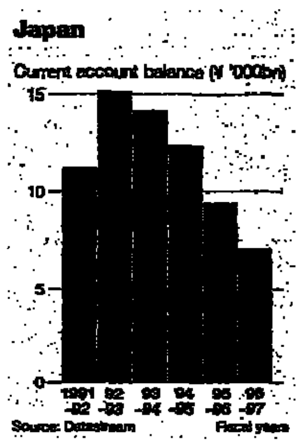
Last year's strong yen has been reversed and the Japanese currency now stands just over 16 per cent less than its level this time last year, after easing slightly to Y118.8 to the dollar in Tokyo yesterday.

The strength of the US economy is also encouraging Japanese exports, a trend reflected in the current spate of forecasts by leading Japanese exporters of sharp profits rises for the coming year. At the same time, Japanese domestic demand is growing more slowly, because of a recent increase in consumption tax.

As a result, both the current account and trade surpluses could rise by as much as 10 per cent in the 12 months to next March, said Mr Richard Werner, chief economist at Jardine Fleming Securities.

A prospective rise in the surplus this year supports the belief of some senior finance ministry officials that the yen could strengthen significantly in coming months.

However, officials yesterday argued that they did not expect the surplus to expand "dramatically", no doubt sensitive to the political problems that would arise from objections by US industrial lobbies against a perceived Japanese export offensive.



ASIA-PACIFIC NEWS DIGEST

Bofors case to be pursued

India's federal criminal agency has formally sought government permission to pursue the first criminal prosecutions in the 11-year-old Bofors scandal, in which senior Indian officials and middlemen were alleged to have received bribes for the award of a $1.3m artillery contract.

The Central Bureau of Investigation confirmed that it had submitted a 250-page report into the affair to the cabinet secretary's office on Tuesday. Officials said the agency wanted to prosecute several former government officers and others.

CBI officials refused to comment on whether Mr Rajiv Gandhi, the late Indian prime minister, was among those named in the report. The Indian Express newspaper yesterday quoted anonymous "highly placed sources" saying that the report had implicated Mr Gandhi, who was assassinated in May 1991. The newspaper said the CBI document "holds him guilty of hatching a conspiracy to cause wilful loss to the state exchequer and allowing middlemen to make money". *Mark Nicholson, New Delhi*

Taiwan cabinet reshuffled

Taiwan partially reshuffled its cabinet yesterday in an effort to appease an angry public concerned over the country's worsening law and order situation. Several unsolved murder cases involving high-profile figures led to a demonstration early this month by 50,000 Taiwanese demanding cabinet changes and the resignation of the prime minister. However, as expected, Mr Lien Chan, the embattled premier, survived the reshuffle. On Monday he said he would step down in July after constitutional amendments were completed. He will also retain his post as vice president, to which he was elected alongside President Lee Teng-hui in the country's first democratic election for the top leadership in March 1996.

Ms Yeh Chin-fong was appointed to head the interior ministry, which oversees the police. Currently minister without portfolio, she will be the first woman to run the interior ministry and one of the few to hold a top ministerial post. Mr Chao Shao-po was promoted to minister without portfolio to fill the hole left by the unexpect resignation of Mr Ma Ying-jeou, the popular former justice minister. *Laura Tyson, Taipei*

China lets hijacker be taken

In a rare episode of cross-straits co-operation, Taiwan representatives yesterday crossed by fishing boat to the nearby Chinese port of Xiamen to pick up an accused airline hijacker so he could face justice in Taiwan. It is the first instance of a hijacker being repatriated across the Taiwan strait, in spite of the lack of a bilateral accord providing for such exchanges. The handover of Mr Liu Shan-chung, an unemployed journalist, marked an end to Beijing's practice of fêting Taiwan air pirates as freedom-seekers. *Laura Tyson, Taipei*

Shalikashvili warns on Korea

General John Shalikashvili, chairman of the Joint Chiefs of Staff, yesterday described North Korea as the greatest threat to peace in the Asian region. Gen Shalikashvili, the most senior US military officer to visit China since 1983, addressed China's National Defence University. His presence in China is part of attempts to broaden Sino-US military contacts. He said America was committed to remaining a regional power. *Tony Walker, Beijing*

Donald Tsang ponders a cash mountain

Compared with most finance ministers, Mr Donald Tsang, Hong Kong's financial secretary, is a fortunate man. While his counterparts elsewhere struggle to make fiscal ends meet, Mr Tsang is confronted by a mountain of cash. When Hong Kong reverts to China on July 1, he will be responsible for some US$90bn in fiscal and foreign exchange reserves salted away in years of prudent financial management.

The hoard is far more than Hong Kong needs to back its currency peg to the US dollar. Mr Tsang admits he is under pressure to spend the money to the benefit of Hong Kong's 6m people rather than leave it on deposit, idly accruing interest that Hong Kong does not need.

The question is fraught with controversy because the world is watching closely to see whether China will appropriate the reserves after the handover, something it has pledged not to do. Mr Tsang cannot afford to be seen to be giving money to China. But leaving so much cash in the bank means there will always be suspicions that some in Beijing will try to find a way of helping themselves.

Mr Tsang says he will decide whether to spend some of the reserves once the immediate excitement of the handover has died down. "I do not want to do it while everybody's talking about 1997. I have been shamelessly saying I want as much money in the bank as possible during this transitional period."

But next year he will have to address the problem. Of the expected US$90bn total reserves, some US$42bn comes from fiscal reserves, including accumulated revenues from land sales which revert to the government at handover. The balance comes from the territory's Exchange Fund – the currency reserves which bolster the Hong Kong dollar.

Hong Kong's credit rating was raised yesterday by Standard & Poor's, the territory's first upgrade since it came under the rating agency's watch in 1990, Louise Lucas reports from Hong Kong. As a result of the sovereign upgrade, a raft of Hong Kong's blue-chip companies, including the Mass Transit Railway Corporation and China Light and Power, saw their ratings lifted – and should now be able to borrow more cheaply.

Hong Kong share prices rose sharply on the news, and yesterday the benchmark Hang Seng Index soared to a record high of 14,153.58.

Bankers expect the move to result in increased bond raising activity among corporations – the Hong Kong government itself is a net lender rather than net borrower.

Standard & Poor's also upgraded China's foreign currency rating by one notch from BBB to BBB+.

"Come 1998 we have to ask ourselves very critically whether we need such a large sum of money," Mr Tsang says. The debate is likely to be cautious. On a per capita basis, Hong Kong's reserves are lower than those of both Singapore and Taiwan, and the government has begun to spend a lot more in recent years.

One option is to use part of the money to fund the government's pension liabilities to retired civil servants who have been excluded from Hong Kong's planned mandatory pension fund scheme. These liabilities have never been funded. They are likely to grow because the size of the government is increasing, and because civil servants tend to live to a ripe old age.

The financial secretary says his "gut reaction" is to give the money back to the people in the form of tax cuts. There is little inflationary risk because Hong Kong's high savings rate means people would save much of their extra income. "That is a lot better for us than to spend on things which we do not believe should have priority."

As for spending on infrastructure, Mr Tsang says there are not enough projects in Hong Kong to spend existing resources on. But the government might decide to spend on infrastructure elsewhere in the region, given the huge financial needs in this area.

Some of it could eventually be spent in China. Public opinion would not permit this at the moment, "but over time Hong Kong will be part of China and you must not turn a blind eye to business opportunities there".

Singapore has been building an industrial development at Suzhou, in eastern China, which is designed to create low-cost manufacturing facilities for its multinational industries. A developed infrastructure across the border is obviously of interest to Hong Kong industrialists too, but Mr Tsang says a more appropriate model than Suzhou would be the development of the Shatin new town in Hong Kong's new territories.

In Shatin the government prepared the land and then allowed the private sector to develop it for a fee, with space reserved for schools, hospitals and other social amenities.

"The government needed to put money up front, but it was recovered afterwards." If Mr Tsang ever does invest in China, he certainly intends to get it back.

Peter Montagnon and John Ridding

Money man: Mr Tung Chee-hwa, Hong Kong's future leader, yesterday said Mr Donald Tsang, financial secretary, (pictured above) would be responsible for management of the US$19bn Land Fund when the territory returns to China on July 1, John Ridding reports. The announcement follows protracted speculation about the management of the fund, which represents accumulated revenues from government land sales. According to Mr Tung, the Land Fund will be managed by the Hong Kong Monetary Authority under the direction of the financial secretary. The decision means that, initially at least, the Land Fund will be kept separate from the territory's US$66bn Exchange Fund, which backs Hong Kong's currency. *Picture by Marcus Oleniuk*

Top HK banker fired over PNG mercenaries

By John Ridding in Hong Kong

Jardine Fleming, the Hong Kong investment bank, yesterday dismissed an executive involved in a scandal concerning the hiring of mercenaries by the government in Papua New Guinea.

The company said that Mr Rupert McCowan, an assistant director in its capital markets division, had acted beyond the scope of his authority as an employee of the bank. "Mr McCowan did not inform Jardine Fleming of all of his activities in relation to Papua New Guinea," a statement added.

The dismissal comes as an embarrassment for Jardine Fleming and is the latest twist in a controversy triggered earlier this year when the Papua New Guinea government hired mercenaries in an attempt to quell a rebellion on the island of Bougainville. The government was seeking to end a six-year stand-off which had halted output at the Bougainville copper mine, one of the world's largest.

Testimony to an official inquiry in Papua New Guinea claimed Mr McCowan had helped the government in trying to arrange financing for the mercenaries, hired from Sandline International of the UK.

Jardine Fleming said that Mr McCowan had worked on its behalf in Papua New Guinea during preparations for flotation of Orogen Minerals last year. The Hong Kong bank managed the international tranche of the issue. Mr McCowan had also travelled to the country earlier this year when Jardine Fleming had been asked by the government to see if it could arrange the purchase of the stake held in the Bougainville mine by RTZ-CRA, the British-Australian mining group.

Jardine Fleming has denied any knowledge of plans to hire mercenaries. "We could not and would not condone links with any mercenary organisation," an official said. When allegations concerning Mr McCowan emerged last month, the bank suspended its executive pending an internal inquiry by a firm of international lawyers.

The controversy over hiring the mercenaries created a political crisis in Papua New Guinea. Mr Julius Chan, the prime minister, agreed to step down earlier this year pending the outcome of the official inquiry. The head of Sandline's operations in Papua New Guinea was arrested and temporarily imprisoned in Port Moresby.

Vietnam drug ring sentenced

By Jeremy Grant in Hanoi

Vietnam's first battle with the international drugs trade ended yesterday with the sentencing of eight people to death by firing squad for their part in a massive heroin trafficking ring. The case has ensnared top officials in Hanoi's anti-drugs team and exposed an alarming rise in drug abuse.

The once closed country has become a conduit for drugs being shipped from the notorious Golden Triangle area of Laos, Burma and Thailand.

Hundreds of Vietnamese gathered amid tight security outside a courthouse to hear verdicts in the showcase trial. Police used electric prods to keep the crowds at bay and interior ministry security personnel armed with AK-47 machine guns were deployed to keep onlookers in roped-off areas.

The 10-day trial has been billed as a showcase of efforts by the ruling Communist party to tackle an alarming rise in drug smuggling. This is a new phenomenon in Vietnam, whose once closed borders have opened up as the country embraces market reforms and international trade.

That has also created opportunities for personal enrichment for low-paid bureaucrats and border guards. Many have joined international drug runners in lucrative syndicates.

The trial signals that Hanoi intends to get tough on drugs dealers. Official media said yesterday the recent installation of anonymous "tip off" boxes posted at schools in Hanoi had helped identify drug pushers.

But many outside the courtroom saw it as a test of the Communist party's will to tackle the corruption that underpins the drugs trade and has made millionaires of officials.

"Officials say one thing and do another. People have lost confidence in them and I think our leaders have not done enough," said one man with "USA" stitched to his baseball cap. "Uncle Ho used to teach that the benefit of the country and people comes first. Now its different. People are just interested in money."

Irish republicans threaten legal action as decision is taken 'in interests of the House'

Commons Speaker bars Sinn Féin MPs

By John Murray Brown in Dublin and John Kampfner in London

Sinn Féin, the political wing of the Irish Republican Army, yesterday threatened legal action after its two MPs were told they would be denied access to parliamentary facilities unless they took the oath of allegiance to Queen Elizabeth. The MPs are Mr Gerry Adams, party president, and Mr Martin McGuinness, chief negotiator.

Miss Betty Boothroyd, the speaker of the House of Commons, told MPs that the House had traditionally accommodated "great extremes of opinion".

She said she did not want to impose any "unnecessary obstacle" in the way of members wishing to fulfil their democratic mandate by attending, speaking and voting.

To cheers, she added: "Equally, I feel certain that those who choose not to take their seats should not have access to the many benefits and facilities now available in this House without also taking up their responsibility as members."

The parliamentary rule book, Erskine May, says that unless an MP takes the oath of allegiance he or she may not attend or vote in debates in the House. However, the rules entitle an MP to "all other privileges of a member being regarded by the law as qualified to serve until some other disqualification has been shown to exist".

Miss Boothroyd said she had decided to extend restrictions on MPs who refuse to take the oath "in the interests of the House". Any member who had not yet been sworn in would have to advise her in writing of their intention to do so by next week.

Mr McGuinness said "there may be legal avenues we would need to explore". Mr Adams is understood to have instructed Ms Siobhan O'Hanlon, a Sinn Féin official and convicted IRA terrorist, to approach the Serjeant at Arms to arrange for the use of library and postal facilities, as enjoyed by all MPs.

Mr Michael Ancram, a Northern Ireland minister in the last UK government, said on BBC radio yesterday: "These men, McGuinness and Adams, are inextricably linked – because they are the political wing of the Provisional IRA – with men who seek to use violence for political ends and to undermine the institutions of the state, including the parliament they're now trying to use the facilities of."

Mr McGuinness and Mr Adams were nationalists, he added: "There are other nationalists in parliament who take the oath and, having taken the oath, then argue their case within parliament."

The murder in Northern Ireland of a leading Roman Catholic figure in Gaelic sport was "obviously part of an ongoing campaign of assassination and attempted assassination by the 'loyalist' death squads" Mr Martin McGuinness, a Sinn Féin MP, said yesterday. It raised questions about the policy of the British and Irish governments in allowing anti-republican "loyalist" politicians representing paramilitary groups to remain in the political talks process as long as the groups did not admit responsibility for terrorism, he said.

Sean Brown, aged 61, was abducted from a Gaelic Athletic Association club and shot in the head. His body was dumped beside his blazing car 15km away. Brown's widow and six children said: "There can be no doubt that the murderers deliberately determined to claim the life of a prominent and high standing member of the GAA."

His death was the third in a week as sectarian hatred again threatened to go out of control. It came on the day a young policeman shot dead in a Belfast bar was buried. The Irish National Liberation Army, a small terrorist group separate from the IRA, said it had killed him.

Legislative programme, Page 12

Jobless calculation overhauled

By Richard Adams Economics staff

The agency responsible for collecting UK jobless statistics wants to replace the "headline" measure of unemployment with a household survey, in a move to restore credibility to the jobless total.

The move came as the seasonally adjusted number of UK jobless claiming benefits dropped by more than 59,000 last month, taking the current headline rate of unemployment down 0.2 per cent to 5.9 per cent, and the total to 1.65m, its lowest since 1990.

The monthly unemployment figure published by the Office for National Statistics only counts those jobless who receive benefits. But this so called "claimant count" measurement of unemployment has been criticised as distorted and inaccurate.

Since the introduction of the Jobseeker's Allowance in October last year, some analysts estimate that up to 300,000 unemployed people have been excluded from the figure.

The ONS yesterday launched a consultation period on its presentation of labour market statistics, suggesting that the Labour Force Survey it now undertakes every three months should be carried out every month.

Mr Andrew Smith, the employment minister, said the government welcomed the review. "Credibility must be restored to the official unemployment statistics," Mr Smith said.

As recommended by the House of Commons employment committee in 1986, the ONS is proposing to give greater prominence to the LFS measure, printing it alongside the claimant count figures and a range of other data.

The LFS is based upon standard international definitions of unemployment. The LFS and the claimant count measures have shown substantial variations since the LFS was moved from an annual survey to a quarterly one. In the most recent survey, the LFS showed an annual rate of unemployment of 7.5 per cent and a total 2.11m jobless. But claimant unemployment at same time was 6.1 per cent, with 1.7m claiming benefits.

Mr John Philpott, director of the independent Employment Policy Institute, said the switch to the labour survey was long overdue.

Workforce up; payrises down

US groups may claim relief on 'windfall' tax

By Leyla Boulton and Chris Tighe

US companies owning UK utilities say they may be able to claim tax relief in the US on the Labour government's planned windfall tax.

The tax on utilities privatised by the previous government is expected to raise £3bn ($4.9bn) to £5bn and will be a centrepiece of the new government's forthcoming Budget.

Nine US companies have between them acquired seven UK regional electricity companies over the past two years. The US companies are pinning their hopes of offsetting part of the windfall tax against their US domestic tax liability on a US-UK treaty designed to reduce double taxation on corporation tax, income tax and capital gains tax.

Ms Elizabeth McKnight, partner at Herbert Smith, a City of London law firm, said yesterday: "It would depend on whether the windfall tax is structured so as to fall within a class of taxation defined by existing treaty provisions."

Financial markets expect the tax to net about £2.5bn from the electricity sector. It will also affect the water industry and other privatised utilities.

The new government's plans for a windfall tax are of particular concern to owners of UK utilities in north-east England where both Northern Electric and Northumbrian Water have been acquired within the past 18 months by companies outside the UK.

Northern Electric, bought last year by US-based CalEnergy for £782m, plans to argue that it was past shareholders, not the present owners, who benefited from windfall gains. "The shareholders currently, by and large, are not the ones who made the windfall gains; they jumped ship long ago," the company said. "We just don't think it's a fair tax."

Northern Electric concedes that CalEnergy knew before its acquisition that the windfall tax was a possibility to be factored in, but argues it had no way of knowing whether the undisclosed provision it made will be adequate.

Northumbrian Water, bought by Lyonnaise des Eaux in December 1995, said: "Lyonnaise paid for the windfall and are now facing the prospect of being taxed on the windfall they've paid for; effectively there is the prospect of them having to pay twice."

UK NEWS DIGEST

Stores sign US bug killer deal

US technology designed to eliminate smells from socks and kill food poisoning bugs on kitchen utensils was launched in the UK yesterday by J. Sainsbury and Marks and Spencer, the retail chains. They announced contracts with Microban International, a New York-based company, to use and sell products containing its anti-bacterial chemical.

It works from the inside out. Plastic or fibre goods such as chopping boards and cloths are impregnated with it. During the life of the product, Microban rises to the surface, destroying bacteria and mould.

Microban's active ingredient – triclosan – has been used for 25 years in toothpastes, mouthwashes and soaps. Sainsbury will launch a range of kitchen and household utensils in September which have been treated to kill bacteria such as listeria, salmonella and e.coli which may be in food.

The Sainsbury launch underlines how food safety and hygiene are increasingly being used as a marketing tool in the battle for shoppers' hearts and wallets. Reported UK food poisoning cases have quadrupled over the past 10 years, with more than 95,000 last year. *Alison Maitland*

■ COMPANY BOARDS

Outsiders 'fill 50% of places'

Non-executive directors now fill half the places, on average, on company boards and have in the past five years taken on greater responsibilities, a survey published yesterday shows. But most companies do not draw up a written job specification before appointing non-executives and almost half are not given a set term of office.

The survey of UK public companies by the Institute of Chartered Accountants and Pro-Ned, an organisation which promotes the appointment of non-executive directors, found there are an average 3.6 non-executive directors on company boards out of an average total of 7.4 directors. The survey found that 91 per cent of chairmen believe the role of the non-executive director has become more demanding. *William Lewis*

■ INTERNET

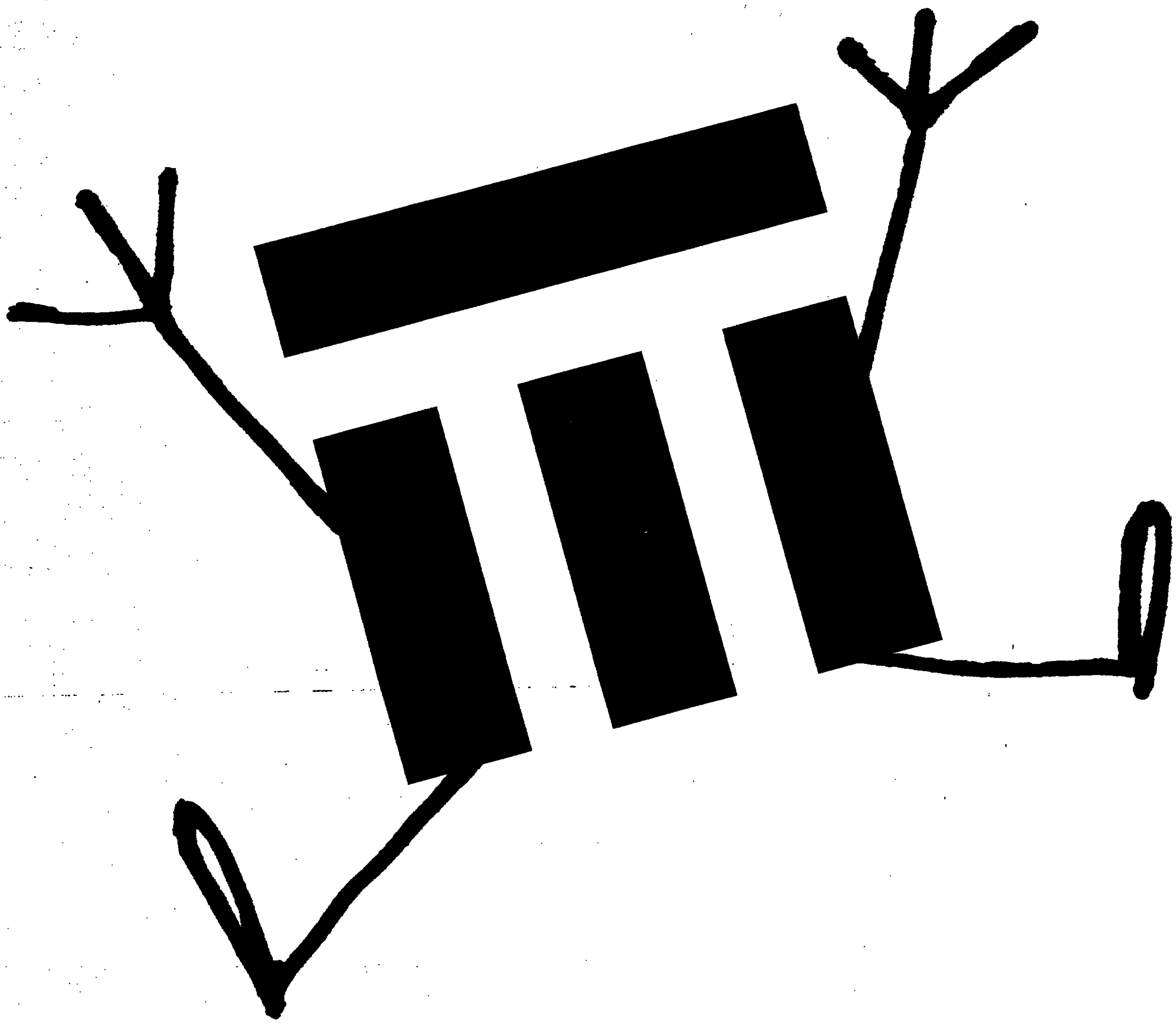
Oasis chiefs act on web copyright

The management of Oasis, one of the world's most successful rock groups, is threatening to take legal action for breach of copyright against hundreds of unofficial Internet sites dedicated to the band. Ignition Management has warned all unauthorised Oasis web sites that it is unlawful to use copyrighted photographs, video clips, song lyrics and sound samples without permission. It has given them 30 days to erase the illegal material.

The Oasis initiative is a first for the music industry, but forms part of a general clampdown against intellectual copyright infringements on the Internet. Music is one of the most popular areas of the Internet, not least because the demographic characteristics of computer buffs – young, well educated and mostly male – are the same as those of frequent record buyers. Most acts run promotional web sites through their labels or management, but these sites are easily outnumbered by unauthorised ones, many of which copy material from the official site.

Some unofficial sites are run by pirates to sell counterfeit compact discs and cassettes, often of dubious quality, to unsuspecting fans. *Alice Rawsthorn*

Risk is our business.



Birth Notice.

We are delighted to announce the arrival of *Swiss Re New Markets*, born to meet the challenges of the alternative risk transfer market.

Swiss Re's latest offspring is from an impressive family tree with a long pedigree in the reinsurance business. As proud parents, we think our brainchild is endowed with special gifts to make its mark in the ART world and other new markets.

It is already showing great talent with innovative state-of-the-art reinsurance products and financial instruments and looks set to become a major player. Our client-focused approach offers customized solutions hatched by highly trained experts, some of the best brains in the business, working in multi-disciplinary, à la carte teams.

The new unit has the financial strength of the entire Swiss Re Group behind it as leverage. And all this expertise and risk capacity is available through a single point of access: *Swiss Re New Markets*.

On the birth certificate we've written "Zurich, New York, London. July 1, 1997". We'd be glad to tell you more about our latest addition in July. In the meantime, you're welcome to visit our Website at www.swissre.com

Swiss Re

'My Lords and members of the House of Commons . . . a partnership with business will be at the heart of my government's plans to build a modern and dynamic economy' - **Queen Elizabeth**

Blair calls for 'nation of entrepreneurs'

By Robert Peston, Political Editor

The prime minister yesterday presaged a full overhaul of welfare as he unveiled immediate reforms of the state education system, health service and the management of the economy.

Mr Tony Blair's speech, laying out the government's priorities for its first parliamentary session, also confirmed the revolution in Labour's values under his leadership. "I want this government to be long-termism in action," he said, citing the decision to transfer control over interest rates to the Bank of England. "I want Britain to be a nation of entrepreneurs, a nation where talent and ability flourish."

Earlier, the Queen's traditional speech marking the official opening of parliament unveiled an ambitious legislative programme for Labour's first government since 1979. The coming 18 months will see 26 bills and three government papers, designed primarily to honour core pledges made by Labour in its election manifesto.

"My government intends to govern for the benefit of the whole nation," the Queen said, setting the theme for Mr Blair's address.

The ceremonial began at Buckingham Palace, where the First Battalion, Scots Guards, awaited Queen Elizabeth and the Duke of Edinburgh. They travelled to parliament in the horse-drawn State Coach with liveried footmen on the corners. Behind came the Glass Coach conveying three ladies-in-waiting – the Mistress of the Robes, Lady of the Bedchamber and Woman of the Bedchamber – and the Queen's Master of the Horse. One car carrying the Crown Equerry made a small concession to the 20th century. Officials including Gold Stick in Waiting, Maltravers Herald Extraordinary and Portcullis Pursuivant greeted the procession. The Queen then read a speech written for her by the government.

The prime minister also announced a demanding agenda for fundamental changes to the social security system. "We have reached the limits of the public's willingness simply to fund an unreformed welfare system through ever higher taxes and spending," he said, using language associated with Mr Frank Field, a social security minister who argues for a compulsory system of funded second pensions.

Mr Field was "examining with colleagues the entire area of welfare reform for the long term, including pensions" so that the welfare state could "work for a new age", the prime minister continued.

Mr Blair put particular stress on measures designed to help companies, especially small businesses.

In spite of an impression given during the election campaign that Labour was likely to be cautious in government, its early programme signals radical changes to public services and the British constitution.

New parliaments for Scotland and Wales are planned. The so-called internal market in the state health service will be replaced by a system involving groups of community doctors acting in concert to commission services from local hospitals.

A network of regional development agencies will be created and preliminary steps will be taken towards the creation of a "strategic authority" for London, with an elected mayor.

The response from the former prime minister and temporary leader of the Conservative opposition, Mr John Major, was generous. He congratulated Mr Blair on his landslide victory in the general election and "in the interests of the British people" he wished him "success".

But he criticised core proposals, especially the windfall tax on privatised utilities, which is intended to fund job schemes.

Editorial comment, Page 15

'Ensuring opportunity for all'

Extracts from the Queen's Speech

■ The education of young people will be my government's first priority. They will work [illegible] to raise standards [illegible] and to promote lifelong learning at the workplace.

■ The central economic objectives of my government are high and stable levels of economic growth and employment, to be achieved by creating opportunity for all. The essential platform for achieving these objectives is economic stability. To that end a bill will be introduced to give the Bank of England operational responsibility for setting interest rates. (But officials warned that it may not be possible to appoint the four "recognised experts" who will join the new monetary policy committee from outside the Bank as quickly as ministers had hoped. An interim committee has been set up.)

■ They will aim to deliver high and sustainable levels of growth and employment by encouraging investment in industry, skills, infrastructure and new technologies, by reducing long-term unemployment, especially among young people, by promoting competition, and by helping to create successful and profitable business. These policies will enhance Britain's position as a leading industrial nation.

■ A bill will be introduced to prohibit the private possession of handguns.

■ A white paper will be published on measures to reduce tobacco consumption, including legislation to ban tobacco advertising.

■ My government will contribute to the achievement of high standards of food safety and protection of public health throughout the food chain.

■ A bill will be introduced to incorporate into UK law the main provisions of the European Convention on Human Rights. (The bill will provide that no minister, official or public body shall do anything which infringes the fundamental rights and freedoms in the Convention. Victims will be able to sue in British courts. A final right of recourse to Strasbourg will be preserved. An immigration bill will provide a right of appeal for individuals deported on the grounds that they threaten national security. Under existing law, a person who is not a British citizen can be deported from the UK with no right of appeal if the Home Office decides national security is threatened. The new legislation will bring UK law in line with EU legislation.)

■ Legislation will be introduced to allow the people of Scotland and Wales to vote in referendums on my government's proposals for a devolved Scottish parliament and the establishment of a Welsh assembly.

■ In Northern Ireland, my government will seek reconciliation and a political settlement which has broad support, working in co-operation with the Irish government. They will work to build trust and confidence in Northern Ireland by bringing forward legislation to deal with terrorism and to reduce tension over parades, and other measures to protect human rights.

■ In the European Union, my government will take a leading role. They will seek to promote employment, improve competitiveness, complete the single market and opt into the Social Chapter. They will seek changes to the Common Fisheries Policy to conserve fish stocks in the long-term interest of the UK fishing industry. They will play a full part in the debate about economic and monetary union. My government will work for the early and successful enlargement of the European Union.

■ They will play a major role in decisions to shape Nato's future, including enlargement, and to include Russia in a wider security framework . . . my government will safeguard our essential security interests and defence needs . . . will retain strong armed forces including the nuclear deterrent.

■ My government will continue to support peace in Bosnia and Herzegovina. They will work for a settlement in Cyprus. They will promote efforts for a durable peace in the Middle East.

■ My government will work on behalf of Hong Kong's people to achieve a successful transition which preserves their way of life and promotes their continued stability and prosperity.

■ The promotion of human rights worldwide will be a priority, as will the fight against terrorism, organised crime, money laundering and drug misuse and trafficking at home and abroad. (The newly created Department for International Development will publish a paper setting out the government's approach to poverty reduction and development. The department, which has a minister in the cabinet, replaces the Overseas Development Administration, which was under the wing of the Foreign Office and headed by a junior minister. The UK is to rejoin Unesco, the United Nations educational, scientific and cultural organisation. The UK left Unesco in 1985 following concerns about its efficiency and effectiveness.)

Threat to ads fails to shake tobacco shares

By Nicholas Timmins and Ross Tieman

The tobacco industry was yesterday "very disappointed" about the Queen's Speech promise of a bill to ban tobacco advertising. Anti-smoking groups were delighted and advertisers relatively unmoved.

The announcement had no impact on tobacco shares. BAT and Imperial Tobacco both rose on the day.

Ms Tessa Jowell, the public health minister, said the government was "fully committed" to a tobacco advertising ban as part of an "effective strategy to deal with smoking". That almost certainly implies further hikes in tobacco tax and consideration of a ban on smoking in public places.

A summer government paper – to be followed by a draft bill – will include a debate on sports sponsorship, Ms Jowell said, and on how to remove tobacco advertising from sports events "without creating any risk to those events in the UK".

Mr Gareth Davis, chief executive of Imperial Tobacco, challenged the wisdom of the advertising ban, saying markets "are driven down by price, not bans; an advertising ban will do nothing to reduce consumption". According to Imperial, the cigarette market has fallen 3 per cent since the last Budget pushed the price of many brands above £3.

The industry spends £50m ($81m) a year on advertising, according to the Tobacco Manufacturers Association. But a battle is already under way between the departments of health and national heritage over the £8m which goes on sports sponsorship. The former favours a ban while the latter worries about its impact on sport.

The paper is expected to explore how far indirect marketing – such as clothing linked to tobacco brands – can be curbed. That would be affected by a draft European Union directive banning tobacco advertising, which the UK is now expected to back. The advertising industry has mainly already discounted the ban, according to Mr David Muir, head of new business at Ogilvey and Mather. Most agencies had significantly reduced their reliance on tobacco advertising.

Outdoor poster sites are also unlikely to suffer, Mr Roger Parry, chief executive of the More group, said. "The experience of bans in Canada and Ireland is that it doesn't have any major impact on billboard advertising. All that happens is that somebody else comes along and buys the sites," he said.

● The government is to legislate to give effect to the European Union data protection directive, but has put off freedom of information legislation until at least the next session of parliament.

■ MINISTERS WHO WILL INFLUENCE BUSINESS POLICIES

Dawn Primarolo

Helen Liddell

Richard Caborn

Few of Labour's ministers have experience of serving in government, although several have been members of big municipal authorities. As financial secretary to the Treasury, Dawn Primarolo will be Number Three in Gordon Brown's ministerial team and will be responsible for taxation policy and customs revenues. A former leftwinger – once dubbed "Red Dawn" – she made her mark in the last parliament with attacks on Conservative handling of the state health service. Responsibility for regulation in the City of London has been given to Helen Liddell, a relative newcomer to the House of Commons, who has been a correspondent for the BBC in Scotland and an executive in the newspaper group headed by Robert Maxwell. Richard Caborn, minister for regional affairs, spent much of Labour's final months in opposition assessing reaction to the party's plans for decentralisation. He trained as an engineer and spent five years in the European parliament before entering the House of Commons. Brian Wilson, who has the dual portfolio of minister for education and industry in Scotland, is one of the party's wittiest debaters, a devotee of the ancient Gaelic language and a fierce opponent in the last parliament of railway privatisation. He is loathed by Scotland's nationalists as "an arch-anti-devolutionist". Nigel Griffiths, the consumer affairs minister, joined the Labour party at the age of 15. He now promises a "revolution" for consumers whose interests, he says, have been neglected. One of the few junior members of the government who has held a ministerial position before is Alan Howarth, who has returned to the office at the employment department that he used a few years ago. He is one of the very few MPs to have served as minister for rival party leaders. In 1995 he was minister for higher education in John Major's Conservative administration. He quit that government and the party over its refusal to widen the rights of disabled people.

Brian Wilson

Nigel Griffiths

Alan Howarth

Devolution plans look back to 1535 and 1707

By John Kampfner, Chief Political Correspondent

The government announced a raft of devolution legislation intended to extend a measure of home rule to Scotland and Wales for the first time since the acts of Union in 1707 and 1535.

A bill establishing referendums in the two regions will today become the first bill of the new parliament to be published.

The referendums are expected in September, and Mr Donald Dewar, Scottish secretary, said a simple majority would suffice in contrast to failed attempts in 1979, when legislation required a qualified majority.

Scottish voters will be asked two questions – whether they want a parliament and whether it should have powers to amend tax rates. In Wales, voters will be asked only if they want an assembly, whose powers will be more limited.

While an overwhelming endorsement is expected in Scotland, the result in Wales will be much closer.

Details of the proposals will be contained in a government paper to be issued soon. It would form the basis of bills for Scotland and Wales which would then be put before parliament, assuming the referendums are passed. These bills would provide for:

● Establishment of a Scottish parliament.

● Establishment of a Scottish executive and an outline of its powers.

● Relations between the Scottish parliament, the House of Commons and the UK government.

● Establishment of a Welsh assembly which would inherit the powers of the secretary of state for Wales.

The single chamber Scottish parliament would have 129 members, according to Labour plans. Voters would have two votes, one in any of the 73 districts on a first-past-the-post system. The second vote will be for candidates on a party list. A further 56 MSPs – as they will be called – will be chosen under this system, seven from each of the eight European parliament districts.

Curb on abuse of market power welcomed

By David Wighton, Political Correspondent

The government's commitment to strengthen competition law to prohibit abuse of market power was given a warm welcome by business and consumer groups.

The changes will include the introduction of fines and third party rights for damages against companies involved in cartels or predatory pricing.

The government believes the reforms will provide a stronger deterrent. By bringing UK legislation into line with European Union rules, they should also reduce the burden on companies which now have to comply with both regimes.

The move comes after years of consultation and lobbying which ended in disappointment last year when the previous government dropped its draft bill from the last Queen's Speech.

The new government is planning to replace the Restrictive Trade Practices Act with a prohibition of anti-competitive agreements. In addition, it is proposing to extend the prohibition approach to abuse of market power, a reform the Conservatives declined to undertake.

The Confederation of British Industry, the biggest employers' lobby, said it favoured the move to a prohibition system, modelled on articles 85 and 86 of the Treaty of Rome. But it shared some of the previous government's concerns about extending prohibition to abuse of a dominant market position.

Mr Graham Mason, the CBI's business environment director, said one of the problems will be defining market dominance and abuse. "If a dominant company responds to a competitor's price cut by cutting its prices, is that a normal commercial response or abuse of market power?" he asked.

Mr Mason said the overall approach was right but the system should not be administered in the way it is in Brussels. "We would not want to replicate the long delays in notifying agreements which we have seen in Brussels."

● Another forthcoming bill aims to reduce what ministers see as the huge burden of overdue payments owed by big companies to small ones.

Although 60 per cent of small companies are said to support the legislation, precise details have yet to be worked out. Officials said there would be wide consultation. Ministers say the broad aim of the bill will be to give companies the right to exact interest if money owed to them is paid late.

Unions ready for role in building new nation

Mr John Monks, the Trades Union Congress general secretary, said the government had launched "an ambitious programme that will make a real difference to people at work", Robert Taylor writes. Mr Monks said trade unions would "look forward to playing our part in building the 'one-nation' Britain to which the prime minister is pledged". Legislation is promised shortly on the creation of a low pay commission to propose a statutory national minimum wage level. This was welcomed by the independent Low Pay Unit, which said it brought the UK into line with its European partners and could benefit up to 6m people by providing them with a decent wage if it was set at a "decent level" of about £4.40 ($7.10) an hour. But there was nothing in the speech on trade union recognition rights from companies. During the general election campaign, Labour faced attack on such proposals from employers who feared it would lead to a return to the kind of trade union power exercised in the 1970s.

ARTS

Cinema/Peter Aspden

The rumble in the jungle

Wicked motor-mouthed charm: Muhammad Ali in Zaire for the 1974 fight with George Foreman filmed by Leon Gast

Such are the passions and iconic qualities of the greatest sporting moments that it is often tempting to read too much into them. Did Bobby Moore's golden locks on that *sunny afternoon in 1966* really mark the acme of Swinging London (first time round)? Did a couple of prestigious tournament victories in 1995 truly symbolise the dawn of the new South Africa?

In truth, very few sporting events can bear the significance thrust upon them; but to watch *When We Were Kings*, Leon Gast's superb Oscar-winning documentary on the 1974 "Rumble in the Jungle" between Muhammad Ali and George Foreman, is to see a world captured in the throes of its own mutation.

Ali, thought at the time to be over the hill but endeavouring to win back his world title, and Foreman, an awesomely strong champion, were taken to Zaire by the nascent entrepreneur-promoter Don King for \$10m. The extraordinary cast was completed by *President Mobutu*, whose fondness for the fight arena extended to placing detention cells underneath the grandstands. There was much talk – most of it from Ali – of black man returning to his very roots.

Gast and his team were in Zaire to film a music festival which would preceed the action; but when the fight was delayed after a late injury to Foreman, they hung around to record some extra footage. And what footage it turned out to be: Mobutu's murderous preening; King flicking Shakespearean quotations like jabs at journalists too slow to write them down; Foreman, *massive, gnomic, latent* with destructiveness.

And, of course, Ali, whose wicked charm ("You *think* the world was surprised when Nixon resigned? Just wait'll I kick George Foreman's behind") belied a deeply serious disillusionment with the US, particularly over the Vietnam war, which had made him an impor-

WHEN WE WERE KINGS
Leon Gast

MICROCOSMOS
Claude Nuridsany and Marie Perennou

KILLER: A JOURNAL OF MURDER
Tim Metcalfe

THE RELIC
Peter Hyams

HIGH SCHOOL HIGH
Hart Bochner

tant role model for young black Americans. Ali in 1974, still motor-mouthed and with a natural comic's timing, had learned how to switch to serious mode with dramatic effect.

Gast has updated his documentary (he spent the intervening years raising the money needed to complete it) with talking head testimonies from George Plimpton, Norman Mailer and Spike Lee. Lee is banal, but Plimpton and Mailer are wisely restricted to their sharp reminiscences and enrich rather than distract from the main business.

The fight itself, remembered for the outrageous invention of Ali's *rope-a-dope victory*, is electric; Mailer, still bubbling with wonderment, is particularly good *on the ringside detail*. A charming coda sees Ali in the early hours of the morning after the fight talking to young African children by the side of the road, the months of hype dispelled by his dignified quietude. Today, sadly, dignified quietude is virtually all he has left; King and Mobutu continue to make their idiosyncratic marks on the world; Foreman, incredibly, boxes on. The rumble is still heard.

It is to another documentary *we must* turn for the best of the rest this week (could there be a lesson here?). *Microcosmos* is an *engaging look at the vicissitudes* in the lives of insects, filmed with remarkable patience and humour by its French makers. Its boldest and brightest stroke is to dispense with commentary, save for the shortest of intro/outros from Kristin Scott-Thomas, so we can savour the hypnotic beauty for ourselves. Snails snog, mosquitos metamorphosise, a beetle rolls its globe of dung straight into a thorn, and we watch with *cruel* fascination as it tries to break free. You won't ever tread on any ants again.

Killer: A Journal of Murder is a taut depiction of the true story of Carl Panzram (James Woods), a murderer whose spell in jail coincides with that of idealistic young prison guard Henry Lesser (Robert Sean Leonard). The two men form an unlikely bond: Panzram is monstrous but articulate; Lesser is fascinated by the slippery nature of morality as his reforming ideals flounder on the sadism of his fellow officers. He helps Panzram write his journal, which contains confessions of hideous murders, after which the killer demands the right to be *hanged for his crimes. The film's* themes are understanding and redemption, and if it doesn't quite have the bite of *Dead Man Walking*, it is a thoughtful, understated work, strongly played by its leads.

There is a moment in *The Relic* when two policemen, searching in the dank basement of a museum for a killer who decapitates his victims, quite naturally begin to talk about the relative merits of their favourite coffees. *One favours espresso; the other* plumps for latte. Little do they know that the killer making cappuccinos out of innocent bystanders' brains is in fact a reptile-beetle thing with an exotic DNA code and face to match.

Here is just about every cliché you can get in the modern monster movie: hard-boiled cop with endearing belief in lucky bullet; *attractive lady scientist* with mini-skirt and dismissive attitude towards superstitions; assembled *cast of sycophants and pompous* politicians. Cop skirmishes with scientist. Reptile-beetle thing eats sycophants. Cop gives scientist lucky bullet. Scientist tosses off high heels and lures reptile-beetle thing to explosive end. A lurking sub-theme on the arrogance of scientific positivism goes the vaporous way of the coffee debate.

When James Dean had a bad day dealing with the toughs at school, you believed it. You could just about take Lulu crooning to her uptight teacher Sidney Poitier a decade later in *To Sir With Love*. But come the 1990s, and the genre of rookie teachers straightening out tough-but-goodhearted delinquents is looking a little tired. In *Dangerous Minds*, *we were asked to accept* Michelle Pfeiffer capturing the hearts and minds of her charges by quoting Bob Dylan to them. When things get that barmy, the *Naked Gun* team cannot be far behind . . .

In fact, *High School High* is one of the more amusing examples of this now-familiar comic routine. Jon Lovitz is the klutzy teacher who preaches peace, love and understanding; Louise Fletcher is in fine obstreperous form as the stern institutional head who *won't stand for nonsense*. Wonder where she's played that one before?

In *Dangerous Ground* (18, directed by Darrell James Roodt), Ice Cube is the South African exile returned home from the US to bury his father in peace, only to find a world full of crack trading, looting and coke-toting Liz Hurley. All three make him *despair*: "It's like black America in the 1970s, they got free, then they got high". A deeply moral *message*; but confusingly, Cube and his bro conclude their business by blowing away everyone in sight *and talking* Hurley away from her drug rehab programme to chill in the Transkei with them. A deeply depressing film.

Dismal, also, that in the very week which saw Ferrari return to the head of the Formula One world championship, we should be subjected to Chris Rea's ludicrous "tribute" to the marque, *La Passione* (15, director John B. Hobbs). Hard to know how to describe this work of staggering ineptitude: think of a 1970s Pirelli calendar shoot coming to life and bumping into one of Ken Russell's rejected nightmares on the cut price set of a social realist soap opera, and that still doesn't *quite convey the awfulness. The* pits.

Opera/David Murray

Thrilling 'Elektra'

Magnificent: Deborah Polaski (top) and Karita Mattila Alastair Muir

There are quibbles to be raised about the revival of Richard Strauss's *Elektra* at the Royal Opera. As the Fifth Maid who rashly takes Elektra's side, a role in which lusty new sopranos are regularly tried out, Sandra Zeltzer's feisty intelligence has the *wrong voice, too dark-toned for* what Strauss intended: a strong light soprano who soars above the coarser Maids.

Karita Mattila plays Elektra's sister Chrysothemis as a dizzy blonde – which partly answers to what Strauss and his librettist Hofmannsthal had in mind, but makes too little of her honest yearning for a cosy domestic life *against Elektra's vengeful* obsession with past horrors.

The conductor Christian Thielemann offers a fresh, judicious view of the score, but there are places – particularly the Recognition scene, and Elektra's ironic welcoming of Aegisthus – where he succumbs to the current fashion for dragging out Strauss's music so *slowly* that the pulse dies.

Why mention these things? Because critics need to show that they have kept their wits about them when faced with a performance like this one, thrilling from start to finish. Reservations about Götz Friedrich's staging, and Hans Schavernoch's set (*basically the interior of another* giant metal tube – Friedrich likes those), went on hold: nobody's style was cramped. This superb cast has the firepower to make *Elektra* searing even on a bare stage.

Deborah Polaski, our recent Brünnhilde in the *Ring*, sings and acts a *noble* heroine, not just a matricidal witch. The role seems to take her over completely. It is a magnificent performance, and quite wrenching. Mattila supplies superb vocal support, of course, and her Chrysothemis has original touches beyond the standard sweet-little-sister model. Robert Hale is in *sumptuous* voice as Orestes, rich and grave.

Felicity Palmer's Klytemnestra, brilliantly grotesque, is *also* scrupulously sung. It is rare to hear the role delivered with such searching attention to the music. Robert Tear is again a sharply characterised Aegisthus. Thielemann may underplay some of Strauss's deliberately *outré* effects, but he finds more music in the score than many a conductor: the perverse bass-lines, for *example*, are the *more disorienting* for being so delicately modelled.

At the end of this memorable, scarifying experience, the audience positively bayed. Some later performances will field four different principals; another strong team, but it remains to be seen whether they can offer the same collective charge.

Musical/Alastair Macaulay

All beauty without heart

The emotion expressed in the Disney stage musical *Beauty and the Beast* is, in Randall Jarrell's phrase, "emotion of the instant, or powdered, variety". Since this is a musical, this is hardly a surprise, these days; but we were right to hope for something more from Disney.

The best Disney cartoon films – *led, of course, by the cartoon* classics made between the late-1920s and the mid-1940s, but also including several made in recent years, long after Walt Disney's death – are among the most transporting works of art of our century, and are often intensely touching.

This stage musical is often astoundingly spectacular – it *arrives in the UK from 42nd* Street, blazoning the fact that it is the most expensive musical ever staged in Britain – and it retells an endlessly poignant tale; and its title song ("A tale as old as time . . ." as heard in the original Disney movie) is one of the loveliest written for musicals in recent years. The eyes, however, stay dry: even this *crybaby's*.

The show's chief virtue is not in its spectacle but in its storytelling. You always know just where you are in the narrative; it *has suspense, good and evil*, comedy and seriousness, vivid supporting characters, and a steady alternation of scenes.

The central situation, mind you, is turned into something more like pride-and-prejudice: Beast must learn to be a gent, Beauty to overcome first impressions. One obvious weakness is that Beauty is all too quick to *soften. Her change of heart is* passed over while the show concentrates on his over-masculine reluctance *to* reveal any tender emotion. Still, this would be OK, if only Robert Jess Roth had directed matters with more human sincerity.

Instead, everything seems – in the bad sense – to have been *choreographed. The* more delicate the feeling, the more it comes out like rote-work. Alasdair Harvey's Beast is especially culpable here; and Julie-Alanah Brighten's Belle is monochromatically saccharine, despite the sureness of her singing.

The supporting characters are, on the whole, jollier company, *notably Derek Griffiths as très français* Lumière and Burke Moses as muscle-bulging but agile Gaston. *Norman* Rossington's coarsely acted and ill-tuned *flat account of* Belle's *father is* unacceptable.

The fun lies in the big production numbers – notably "Be Our Guest", a vast and exuberant dinnertime ensemble for the Beast's enchanted household of anthropomorphic crockery, cutlery, condiments and furniture. They sing, they do can-cans, tangos, manèges of coupés jetés, piqué *turns; their costumes alone* win applause; the set is worthy of Busby Berkeley; and by the time the huge champagne bottles explode with firework displays, the sheer outrageous daftness of the scene bears you along like a tidal wave.

There are many more songs than in the movie; all of them have music by Alan Menken. The *new ones, with lyrics by Tim* Rice, are lamely formulaic, and they often prompt Menken to imitate Lloyd Webber and Boublil-Schonberg at their most rhythmically leaden.

The title song, although somewhat raggedly delivered by Mary Millar as Mrs Potts, has unusual grace. The rise and fall of its vocal lines, its *simple rhythmic patterns, and its calm lyrical* spread are the show's most affecting passage.

Dominion Theatre, WC2.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

OPERA
Het Muziektheater Tel: 31-20-5518117
● Eugene Onegin: by Tchaikovsky. Conducted by *Hartmut Haenchen and* performed by the Nederlandse Opera. Soloists include Hebe Dijkstra, Elena Prokina and Hana Minutillo; May 19

■ BERLIN

CONCERT
Konzerthaus Berlin Tel: 49-30-203090
● Michael Erxleben, Mika Yonezawa, Felix Schwartz, Kleif Canarius and Wolfgang Kühnl: the violinists, viola-player, cellist and pianist perform works by Berg, Mozart and Brahms; May 16

■ CANNES

FILM FESTIVAL
Palais des Festival et des Congrès Tel: 33-9339 0101
● *Festival International* Du Film: presiding over the judges for this year's 50th festival will be French actress Isabel Adjani. Highlights include Robert Besson's *The Fifth Element as the opening film and* new works by Wim Wenders, Michael Winterbottom and Clint Eastwood; to May 18

■ CHICAGO

EXHIBITION
Museum of Contemporary Art Tel: 1-312-280-2660
● Performance Anxiety: exhibition featuring installations by artists including Angela Bulloch, Willie Cole, Paul McCarthy and *Rikrit Tiravanija; to Jun 8*

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Philadelphia Orchestra: with *conductor* Wolfgang Sawallisch, violinst Frank-Peter Zimmermann and cellist Mario Brunello in works by Brahms; May 17

■ COPENHAGEN

OPERA
Det Kongelige Teater – The Royal Theatre Tel: 45-33 69 69 69
● Der Freischütz: by von Weber. Conducted by Jan Wagner, performed by *the Royal Danish* Opera. Soloists include Christian Christiansen, Irene Theorin and Lise-Lotte Nielsen; May 17

■ DRESDEN

EXHIBITION
Staatliche Kunstsammlungen Dresden – Kupferstich-Kabinett Tel: 49-351-4914619
● Aus der Sammlung Ursula Baring: exhibition paying tribute to the German art collector Ursula Baring, who put on displays for *Dresden artists in her own home* during the immediate post-war years when exhibition space was *impossible to come by in the city*; opens today

■ DUBLIN

CONCERT
National Concert Hall Tel: 353-1-6711888
● Midori: *performance by the* violinist, accompanied by the pianist Robert McDonald. The programme includes works by Schubert; May 18

■ GENEVA

AUCTION
Sothebys Genève Tel: 41-22-7328585
● European Silver: *highlights* include items from the collection of the late Prince Louis Ferdinand of Prussia; May 19

EXHIBITION
Musée d'Art et d'Histoire Tel: 41-22-3114340
● Morceaux choisis, Céramique de Grande Grèce: display of *Grecian ceramics dating from 5th* century BC to 3rd century AD; to Jul 20

■ HAMBURG

DANCE
Hamburgische Staatsoper Tel: 49-40-351721
● Amleth: choreographed by John Neumeier to music by Tippett, performed by the Ballett Hamburg; May 16

EXHIBITION
***Museum für Kunst und* Gewerbe** Tel: 49-40-24862732
● Japanische Lackkunst der *Gegenwart: display of 100* laquered objects, including tables and bowls by various Wajima masters; from May 16 to Jul 13

■ HELSINKI

DANCE
Opera House Tel: 358-9-403021
● Finnish National Ballet: Stravinsky's *Firebird, choreographed by Jorma Uotinen* to music by Stravinsky; *Duende*, choreographed by Nacho Duato to music by Debussy and *Le Spectre de la rose*, choreographed by Angelin Preljocaj to music by Carl Maria von Weber; from May 16

■ LONDON

CONCERT
Royal Festival Hall Tel: *44-171-9604242*
● The Philip Glass Ensemble: performs works by Glass and Bowie; May 16
St. John's, Smith Square Tel: 44-171-2221061
● Ian Bostridge: performance by the tenor, accompanied by the pianist Julius Drake. The programme includes works by Schumann and Wolf; May 19

EXHIBITION
Royal Academy of Arts Tel: 44-171-4397438
● The Berlin of George Grosz: the first exhibition in Britain to feature the graphic work of the German satirist since 1956. Grosz used his work to describe life in *Germany from the end of the First* World War through economic and political crises to the rise of *Fascism; to Jun 8*

THEATRE
Lyttelton Theatre Tel: 44-171-9210631
● The Homecoming: by Pinter. Directed by Roger Michell; to May 29

■ LOS ANGELES

CONCERT
Dorothy Chandler Pavilion Tel: 1-213-972-8001
● Los Angeles Philharmonic: with conductor Esa-Pekka Salonen in works by Beethoven and Bartók; May 17

■ MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● *Orquestra National de Espana:* with conductor Walter Weller and clarinettist Juan Enrique Luna in works by Mozart; May 16

■ NEW YORK

DANCE
New York State Theater Tel: 1-212-875-5570
● Open Strings: *choreographed* by Kevin O'Day to music by King, performed by the New York City Ballet; May 17

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Four Seasons: display featuring over 80 costumes selected *from the Museum's* collection. The exhibition spans three centuries and examines the *influence on fashion of changes in* climate, social life and recreation; to Aug 17

■ PARIS

EXHIBITION
Institut Néerlandais Tel: 33-1-53 59 12 40
● Kees Van Dongen retrouvé. L'oeuvre sur papier 1895-1912: *display of work by the Dutch* artist who settled in Paris in 1897, quickly gaining a reputation as a society painter of wit and sophistication; to Jun 8
Musée du Louvre Tel: 33-1 40 20 50 50
● Exposition du Centenaire de la Société des Amis *du Louvre*: celebrating the centenary of the Friends of the Louvre; to Jul 21

■ VIENNA

CONCERT
Musikverein Tel: 43-1-5058681
● Krystian Zimerman: the pianist performs works by Haydn, *Beethoven and Schubert*; May 16

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BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

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10.00
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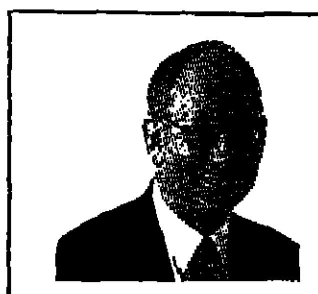
17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight



Peter Martin

Look out, it's behind you

Most companies would rather not grasp the vast opportunities facing their industry, but they should do so – before their rivals pluck up the courage

Everybody in the industry knows about it. It's there, always present, looming in the background. The imminent threat. The unseized opportunity. The challenge nobody can face.

Most business sectors have something like this at the edge of their collective consciousness – a threat or an opportunity so vast, so different from those the industry has faced before, that existing business models and management thinking just can't cope. So everyone hopes it will go away, or that someone else will take responsibility for addressing it, charting a course the rest of the industry can follow.

Meanwhile, life goes on: mergers, acquisitions, new models, new factories, restructurings. All real enough, genuine contributions to economic activity, shareholder value, or human progress. But all the time, there's a nagging worry: what should we be doing about the big issue, the challenge we're not yet ready to tackle?

These thoughts are inspired by the merger of Guinness and Grand Metropolitan to form GMG Brands. It's an understandable deal, one that helps the two companies cope with a number of tricky problems in their relatively slow-growth markets.

In the background, though, is the issue that no one in the spirits industry is ready to grasp just yet, described in this column a year ago*. It's an unseized opportunity: how to move on from the existing portfolio of North Atlantic drinks – whisky, gin, rum, vodka – to developing-world drinks like Brazilian aguardente or Korean white spirit.

At some point, one of the global drinks companies is going to find a way to tap these markets, and when it does so it will leap ahead of its rivals. But it's hard to break in: most of the successful local brands are privately owned and purely national, and their pricing is well below the level the global companies are used to. What's more, taking advantage of these new opportunities means abandoning a strategy that has worked well until now: addressing third-world markets from the top down, selling premium brands with western glamour.

So the industry looks elsewhere, at distribution improvements in existing markets and mergers like the one which will form GMG Brands, competition rules permitting.

Such collective myopia is common enough. Sometimes, indeed, it's the sensible reaction: anticipating the future prematurely can be just as costly as reacting too late. And in any case, just because you have identified the challenge correctly does not mean you will respond to it properly. The Ford Edsel, that legendary 1950s flop, was based on accurate analysis of changing consumer tastes. It was just a crummy car.

A decade later, though, all cars were market-researched and targeted like that. The industry had moved on, and the competitors that didn't get the message – Studebaker, American Motors, Chrysler – became vestigial rivals to a new US duopoly. In turn, the Big Two fell victim to the rise of Japanese imports, but that's another story, another challenge nobody in the US industry faced up to until long after its looming presence had become obvious.

Today, drinks apart, what unrecognised issues lurk in the background of other businesses? Almost everywhere you look, there is a challenge that existing competitors are not yet ready to face. In computers, for example, no one in the industry has yet come to terms with a fundamental change in customers' needs.

They don't want to buy computers any more: instead, they want effortless, low-cost, transparent information processing, distributed throughout their companies and homes. They want all the rest of the hoo-ha – the standards battles, the product choices, the compatibility issues – to go away. Locked in a struggle for market dominance, the industry is not ready to recognise it yet. But eventually, *someone will, setting a* pattern for the industry in the next century.

In cars, the issue is distribution, responsible for nearly half the value added. The old system of small, franchised dealerships is cracking up. There are lots of tentative stabs at a new framework: car sales on the internet, auto superstores, Daewoo's wholly-owned distribution chain in the UK, Ford's possible introduction of direct sales in Indianapolis. But so far, they are just straws in the wind, an indication that everybody in the industry knows about the issue – but that none of the big boys is yet ready to make a wholesale commitment to a new approach.

In financial services, the issue is the potential disappearance of most of the physical manifestations of banking. When customers switch the loyalty in their banking relationship from an institution to a budget program running on their home PCs, the industry will be transformed.

So far, most big banks are treating this with extreme caution, confining their experiments to telephone banking or proprietary electronic systems. At some *point, though, one of the big* players will switch to a standard program like Intuit's Quicken or Microsoft Money. At that moment, retail banking will change forever. Until it does, the industry is pretending the problem doesn't exist.

In healthcare and pharmaceuticals, the unaddressed issue is health economics. At some point, purchasers will start to address the question of which illness is most cheaply addressed by drugs and which by hospital treatment. When healthcare purchasers start doing this sort of calculation, some expensive drugs will suddenly appear enormous bargains; others will clearly not make the grade.

Similarly, some types of hospital treatment will clearly come out as economically superior, but others will give way to pharmaceuticals. The drugs pecking order will be transformed; so will the established pattern of hospital treatment. At the moment, both industries nervously know the issue is a big one, but they are keeping it at arm's length.

The list goes on. In fast-moving consumer goods, the issue is product proliferation. In advertising, it is the question of when to start paying consumers for their attention. In accounting and some types of consultancy, it is the prospect of using computers to commoditise much routine work. And in newspapers – just to show you that there are unaddressed questions even in the best-run industries – the issue is how far to move towards selecting news for each reader, to produce a "Daily Me".

In each case, there are technological barriers that stand between today's framework and tomorrow's. These are usually serious but not overwhelming. They are dwarfed by the psychological barriers to wholesale changes in industry working patterns, and the reluctance to abandon the huge investment in the current business model.

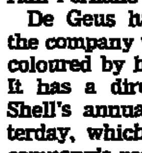
History shows, however, that change eventually becomes inevitable. The first company to break ranks – or the imaginative new entrant – is not always the ultimate victor. But the company that holds out longest, attempting to ignore the new reality, is always the loser. As a manager, you can safely ignore the lurking presence in the background while your rivals display similar insouciance. But once they decide to recognise it, you have no choice but to follow suit.

E-mail: peter.martin@ft.com
**The Spirit of Temptation. FT July 11 1996*

BOOK REVIEW • Tony Jackson

THE LIVING COMPANY: by Arie de Geus
Harvard Business School Press, 223pp, $24.95

The voice of experience



It is a standard paradox of management that those who write best about it could seldom run a fruit stall. The converse is equally true. Most real managers lack the gift of abstraction, and cannot write from experience without being ambushed by detail.

Arie de Geus is an exception. He spent 38 years with Shell, latterly in charge of its business in Africa and south Asia and as head of planning. He is also a fluent writer who draws many of his ideas from psychology and zoology, and is influenced by authors as diverse as Karl Popper and the historian Fernand Braudel.

De Geus has a theory of the company which is deeply coloured by his life at Shell. It has a direct bearing on Shell's annual meeting yesterday, which discussed the company's record on human rights and the environment.

He begins by tackling the question of what companies are for. Is it to make money? Or is it, as Peter Drucker argued decades ago, to create customers? Neither, he says. The purpose of a company is to secure its own survival. Shell does not exist to pump oil, it pumps oil to exist. Companies fall into two categories: the living and the economic.

Living companies have a strong sense of identity, which takes in the entire workforce. They are good at learning and adapting to circumstances. They survive longer, and make more money in the long run.

Economic companies exist to create wealth for an inner circle of managers and investors. Their employees are driven by the desire to draw the biggest possible salary. Economic companies tend to be highly profitable for a short while and die young.

Should we worry about this? Not necessarily, de Geus says. Economic companies focus on physical and financial assets, and neither are unimportant. Nor does it suit everyone to live in a community of workers.

But as an ex-manager, his heart is not in the argument. As a student in Rotterdam, he remarks, he was taught about *homo economicus*: a rational being, making choices on the basis of self-interest. When he walked into his first oil refinery, it came as a shock to find the species did not exist.

The economic company is the counterpart of economic man. Companies may believe they are machines for making money, since that is a rational concept. Reality is more untidy, being rooted in human nature.

He has a more fundamental objection. In the late Middle Ages, he reminds us, capital replaced land as the main commodity of production. Being scarcer, it also attracted a higher return.

In the late 20th century, capital has lost its scarcity. The crucial factor of production is now the "knowledge worker". The living company specialises in developing such workers. The economic company concentrates on maximising the return on investors' capital. It is therefore out of date.

The logic of de Geus's position sets him against the phenomenon of shareholder power. Shareholders, he argues, are simply suppliers of money. The legal framework which gives them control of the company is an anachronism.

One damaging result is corporate downsizing. "A company that pulls through a crisis with its human talent mostly in place," he writes, "carries a real promise of a better outcome, both for its capital suppliers and for its people. Yet managers who act in accordance with this reality make themselves vulnerable to the law."

The average fund manager may think de Geus has lost touch with reality. The converse could be argued. The vogue for shareholder value bases much of its appeal on intellectual simplicity. Perhaps that simplicity fails to capture the complexities of the real world.

The reader of de Geus's book enters a world very different from that of the stock market. Why is it that the British titmouse learnt to peck holes in milk bottle tops, when the robin did not? Because titmice flock together and exchange information, while the robin is a loner. In the living company, people flock together and learn faster.

Why do Chilean potato farmers let odd corners of their fields grow wild? Because they harbour variant strains. When the blight strikes the main crop, there may still be seed potatoes for the next harvest. The living company will allow little businesses to flourish, rather than dictate a single culture from the top down.

It is possible to quarrel with this. De Geus does not confront the fact that when companies try to prolong their lives, they can do economic and social damage.

But he makes a powerful point the other way. "People mourn when a company dies," he writes. "A premature death means unnecessary suffering in the environment of the deceased company. [It] causes disruptions, loss of values, and moral and physical danger."

From a management writer, this might seem sentimental. From a professional manager, it sounds like the voice of experience.

The Living Company *is available from FT Bookshop by ringing FreeCall 0500 500 635 (UK) or +44 181 324 5511 (outside the UK). Free p&p in UK*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Human rights commission for UK would be a timely signal

From Mr Gerald Holtham.

Sir, The foreign secretary's determination to put human rights at the heart of UK foreign policy is indeed welcome news, as is his recognition that foreign and domestic policy must be consistent in this regard.

The decision to incorporate the European Convention on Human Rights into our domestic law is a significant step; but it would be by establishing a human rights commission that the government could signal that the UK intends to put its own house in order and to honour its international human rights obligations. Establishing a commission in Northern Ireland is vital in this context.

If people throughout the country are to feel the benefits of incorporating the convention and it is not to be purely formal, we need a public body charged with responsibility for promoting and enforcing it.

A human rights commission would advise individuals as to how to obtain redress and would selectively back test cases in the courts. It would scrutinise proposed legislation for conformity to the convention and advise parliament and government accordingly, thus reducing the possibility of subsequent challenge in the courts. It would conduct inquiries into issues causing public concern and, finally, through an effective promotion and education strategy, it could foster a culture of rights and responsibilities throughout society.

Public expenditure constraints need not delay establishing the UK human rights commission, which has been authoritatively costed for the IPPR at only £2.8m for its first year.

The UN is strongly encouraging its members to establish national human rights institutions of this kind, according to a set of principles agreed by the general assembly in 1993.

Were the UK to follow this trend, it would enhance its credibility abroad when encouraging other states to improve the protection offered to their own citizens. Moreover, we could be confident that the proposed legislation really would touch the lives of the many in the UK and not just of the few who, through their own resources, could take the occasional case through the courts.

Gerald Holtham,
director,
Institute for Public Policy Research,
30-32 Southampton Street,
London WC2E, UK

Child labour no longer acceptable

From the Rev Hugh C. Ormiston.

Sir, Christian Aid's demand for an end to child labour in the Indian subcontinent ("Call to end child labour", May 12) deserves the support of every right-thinking person.

It is entirely in tune with the aims of the recent partnership between the International Labour Office, Unicef and the Sialkot Chamber of Commerce and Industry. Benefiting from child labour in a global economy is simply no longer acceptable. The sooner governments and industries support the views of these organisations, the sooner we will see a global economy fit for everyone.

Hugh C. Ormiston,
Scottish Churches Industrial Mission,
121 George Street,
Edinburgh EH2 4YN, UK

Globalisation affects OECD unskilled

From Prof Patrick Minford.

Sir, Adrian Wood is right (Letters, May 9) to question Martin Wolf's argument that globalisation has little effect on OECD unskilled wages, in which he cites work by Matthew Slaughter and Philip Swagel to the effect that only "10-20 per cent" of OECD wage movement is due to globalisation.

This assessment is based on partial data on the world economy evaluated through models that do not allow for all the main interactions.

Work with my research team at Liverpool and Cardiff Universities has looked at the full range of world data during the two decades 1970-90 and confronted it with a general model of the world economy.

The relative wage decline of unskilled OECD workers is the result of several offsetting impulses including western productivity growth and spending on higher education.

Among them, however, also figures globalisation (ie. increasing competition from developing country manufactures) which would, taken alone, account for this decline of some 1 per cent per annum in its entirety. In other words, globalisation packs a huge punch which it has taken massive western technological effort and public spending to dilute.

I understand Martin Wolf's desire to minimise it in support of free trade; but free trade's general blessings have always been built on income redistribution as worked out in the interwar period by Eli Heckscher and Bertil Ohlin. It does us and free trade no service to pretend otherwise.

Patrick Minford,
Edward Gonner Professor of Applied Economics,
University of Liverpool,
Bedford Street North,
Liverpool L69 7ZA, UK

Homosexuals and reality

From Christopher Hodges.

Sir, Godfrey Bloom ("Homosexuals not to be tolerated in forces", May 10) obviously has little practical experience of the real world and the place of homosexuality within it. He assumes that all homosexuals conform to an effeminate stereotype he deems "suitable in the theatrical profession or clothes design". The reality is that they do not and are to be found in professions from cabinet minister to sportsman and banker to builder – as well as the armed forces. I know because I have met examples of them.

Uncomfortable as it may be for people like Mr Bloom, homosexuality has been, is, and always will be a fact of all walks of life. In short, Mr Bloom, wake up. Unlikely as it may seem from Wressle, Nr. Selby, there's a big wide, complicated world out there.

Christopher Hodges,
Calle de la Madera 5 4B2
28004 Madrid

Millennium bomber is a mere phantom

From Mr Peter Rowbrey-Evans.

Sir, The millennium bomber portrayed by Mr Castell (Letters, May 13) does not exist. Millions of lines of software were produced in the 1970s and 1980s by programmers who believed their programs would be replaced after a few years. There was no intention to create a millennium bug.

But Mr Castell is right to say that suppliers of contemporary computer software (including firms contracted to manage and maintain computer software) are likely to be liable for the costs of any modifications.

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Thursday May 15 1997

Nato's deal for Russia

There was good news from Moscow yesterday, at last. After all the huffing and puffing from the Kremlin over the prospect of Nato enlargement, agreement was reached to give Russia a face-saving deal. It means that Mr Boris Yeltsin and his successors will have a voice, but not a veto, on the future of Europe's security arrangements.

That is just as it should be, and a vindication for the tough stance adopted throughout by the US and its Nato allies: that enlargement would be going ahead come what may, but it would be most desirable to do it with Russian acceptance, however grudging. Full details of the agreement have yet to emerge, but it should clear the way for the Nato summit in Madrid in July to decide who will be first in line to join the alliance.

It would be best if that list were kept short: the Czech republic, Hungary and Poland are the obvious contenders. Romania and Slovenia are outsiders, but neither has an overwhelming case. By sticking to the three best prepared to assume the obligations, as well as the benefits, of membership, Nato will be giving the clearest possible signal that the door remains open for further expansion in the future. That is essential to keep up the hopes of those still in the Nato waiting-room, like the Baltic republics.

Those three small nations are in an invidious position, surrounded by a Russia they still do not trust, and desperately keen to join the western institutions for which they feel a natural affinity. But they are also home to large Russian minorities, and any plan to bring them into Nato at this stage would have been the last straw for Moscow. Instead, they should be enthusiastically involved in all the training and exercises of Nato's Partnership for Peace, with the prospect of future membership left open.

Ukraine is in a similar position, except that it is undecided whether it wants to take the last step, knowing perfectly well that it would destabilise its relations with Russia. Wait-and-see is sensible for Kiev, while it actively promotes ties and exchanges with Nato.

Russia seems to have accepted that the question of troop strengths and deployment on the territory of its former Warsaw Pact allies can be left to separate negotiations on conventional forces. They would set clear ceilings, in line with current military reality. If there are cuts to be made, they will be balanced. As for the central Europeans, they no longer need the concentration of heavy armour they inherited: investment in good communications and rapid reaction will ensure their future security.

Dogfight

The application of competition law to global markets is fraught with risks of jurisdictional conflict. That is why US and European Union watchdogs agreed some years ago to consult closely on cases which transcend their frontiers. However, tensions over the planned Boeing-McDonnell Douglas merger threaten to turn that co-operation into confrontation.

The EU says its rules require it, as well as Washington, to examine the merger. The two US companies appear to have acknowledged as much by notifying it to Brussels. However, reservations about the merger expressed by Mr Karel Van Miert, Europe's competition commissioner, have brought an angry US reaction. Boeing has threatened to contest the EU's jurisdiction if it blocks the deal, saying that could unleash a trade war, while US vice-president Al Gore has warned the EU against intervening.

The stage may be set for a serious transatlantic rift if US and EU anti-trust authorities take conflicting views of the merger. Such differences have been manageable until now, because either side could make its approval conditional on companies accepting conditions on their operations in its market. That option is closed to Brussels in this case, because Boeing and McDonnell have few assets in the EU, leaving the threat of heavy fines as its main sanction. These would be politically inflammatory, and could be hard to collect.

Mr Van Miert has further complicated the issue by taking aim at Boeing's exclusive sales contracts with US airlines. He has indicated that Brussels may veto the merger unless the arrangements are cancelled. Such a condition implies an important extra-territorial extension of anti-trust jurisdiction – a move of the kind the EU has been swift to condemn when attempted by the US.

It is still unclear how much of the transatlantic war of words represents bluster and tactical manoeuvring. But in the recent climate of mutual hostility and suspicion, there is a serious danger that brinkmanship will get out of hand, and that both sides will dig into positions from which they find it hard to back down. That risk is made all the greater by the political commitment on either side of the Atlantic to the commercial success, respectively, of Boeing and the European Airbus.

The Boeing-McDonnell merger calls for cool and impartial scrutiny to ensure the global market for commercial aircraft remains as free as possible. That objective is as much in the long-term interest of Boeing as of Airbus. It is too important to be jeopardised by squabbling over who enforces the rules.

Radical start

If a week is a long time in politics, a fortnight is an eternity. As Mr Tony Blair presented his programme yesterday it seemed scarcely credible that it was only two weeks since Labour's election victory had ended 18 years of uninterrupted Conservative rule. Glancing at the Queen's Speech one could also spare a blush for those who said not so long ago there was nothing to choose between the two main parties.

It is true there was little unexpected in the list of 26 bills which will occupy parliament for the next 18 months. That is to the good. Mr Blair was elected on a pledge that the one-nation politics he offered in opposition would be delivered in government.

So it is reassuring that his government is stressing a determination to lift standards in education, to encourage enterprise, and to defer the introduction of a minimum wage pending proper consultation. Stealing the Conservatives' idea of auctioning off the airwaves was also a shrewd way of signalling that New Labour has indeed abandoned its past attachment to tribal politics.

To say there were few surprises, however, is not to deny a decisive break with the past. Proposals to devolve government to Scotland and Wales, to introduce an elected authority for London and to promote regionalism in England hold the promise of a welcome and radical decentralisation in the way the nation is governed. These measures should be followed with a restoration to local authorities of a far greater measure of autonomy in their financial affairs.

Incorporation into British law of the European convention on human rights will begin to bring Britain into line with other modern democracies. It must not, though, be used as an excuse for Mr Blair to renege on his pledge to pass a freedom of information bill.

In the short space of two weeks, the government has thus blended radicalism with realism. The hope is that Mr Gordon Brown, the chancellor, will frame his forthcoming Budget in the same spirit.

But amid the euphoria some words of caution are appropriate. One of the main lessons of the past 18 years has been the danger of excessive legislation. Too much lawmaking has led to too many bad laws. Effective government is as much to do with the delivery of services as with tinkering with legislative structures.

Mr Blair, whose lacklustre performance in yesterday's debate bore more of the mark of an opposition leader than of a prime minister, should be careful also not to use his massive Commons majority to railroad through his programme. He will lead a better government if he pays heed to his opponents.

The cloning of US success

Europe's biotechnology industry is starting to catch up with the US, fuelled by easier access to capital, says Daniel Green

Mr Nick Arvanitidis is a Californian biotechnology multimillionaire. He has three homes: in Greece, Silicon Valley and the luxury mountain resort of Lake Tahoe.

But for the past few months, the silver-haired 57-year-old has been working in a dingy building in Munich. He is the unpaid chief executive of Innovative Dermal Applications, one of a handful of German biotechnology companies. Mr Arvanitidis is one of many people taking the risk of working in a European start-up medical technology company. From Iceland to Italy, Europe is embracing biotechnology.

According to accountants Ernst & Young, the number of European biotech companies grew 23 per cent between 1995 and 1996 to more than 700. Over the same period, the number of employees in the industry rose 60 per cent to 27,500.

These numbers are small compared with the US, the birthplace of biotech. The US industry, which began from virtually nothing in the early 1980s, now boasts 1,300 companies – 294 of them quoted – which employ almost 120,000 people. Given such rapid growth in the US, the potential in Europe appears enormous.

The typical biotech company is a start-up that blends entrepreneurial management with risk capital and a scientific advance, usually in biology or chemistry. Its work could involve anything from the development of insulin inhalers, to changing the genes in sheep so that their milk contains drugs, to discovering conventional medicines.

Even in the US, where the industry is well-established, most biotech companies are losing money. It takes about 10 years of research and development before a drug goes on sale, and many never make it. But an increasing number do: US biotech industry sales rose 15 per cent to more than $11bn last year, according to Ernst & Young. Amgen, the Californian company that is the most successful in biotech, made a net profit of $180m (£111m) in the first quarter of 1997 alone.

Europe is far behind, but there are signs that its companies are learning rapidly from the US. UK scientists have begun to emulate the commercial nous of their US counterparts.

"Five years ago, making money was anathema to most British university professors," says Mr Paul Haycock, a director of London venture capitalists Apax Partners. "Now they want to be able to say that their work was so good that there's a company wrapped around it."

Equally important, more capital is becoming available to biotech entrepreneurs, thanks largely to stock market reforms. In December 1993, the London Stock Exchange changed its rules to encourage biotech companies to list, for example, by relaxing the requirement that a company have a long trading record. Since then, the launch of junior markets in London, Paris and Frankfurt, and the pan-European Easdaq have attracted significant biotech company interest.

There are now about 30 listings on the main London market – depending on the precise definition of a biotech company – plus a further 10 on the junior markets, and a half-dozen spread between Paris, Copenhagen and Easdaq.

These developments have encouraged venture capitalists to move their money to Europe from the US. Biotechnology Investments, a London-based fund advised by Rothschild Asset Management, has for the first time only a minority of its worldwide investments of more than $400m in the US.

Stock listings do more than raise money for a company. They allow staff to be paid partly in shares and options. Not only does this help cashflow, but it promises riches to scientists and executives. Without a flotation, Mr Arvanitidis of Innovative Dermal Applications really would be working for nothing.

The prospect of riches seems to improve efficiency. The Pharmaceutical Manufacturing Association, which represents US pharmaceuticals companies, says it costs about $250m to take a drug from development to regulatory approval; the American Biotechnology Association's figure for its members is $110m.

There is still a shortage of experienced management in Europe, especially in Germany, which is why Mr Arvanitidis and others have been imported. But the problem is easing. Former directors of British Biotech, the biggest UK company in the sector, have gone on to start new businesses. Sir Brian Richards, the former chairman, now runs Peptide Therapeutics, a Cambridge-based company.

European governments have begun to encourage biotech. Germany has earmarked DM150m (£53.50m) for the industry, and last year the UK launched a government-sponsored "crusade for biotechnology" – more about exhortation than cash. France this year pledged FFr1.5bn (£150m) to support the industry.

The scale of change is most striking in Germany, where biotech companies had faced political neglect and public opposition on ethical and environmental grounds. "For many years our politicians said nothing to encourage us," says Mr Peter Heinrich, chief executive of Munich's Medigene.

The German government is beginning to take an active interest in the sector. "Not everything that is technically feasible is ethically responsible," Chancellor Helmut Kohl says in an interview this month with the biotechnology magazine published by Hoechst, the big German chemicals company. "At the same time, we mustn't let excessive caution rob us of opportunities."

"The German government is coming late to biotechnology, but when they change, it is a very strong change," says Mr Emile Loria, chief executive of the French biotech company, Biovector Therapeutics.

The reason for the sudden enthusiasm is simple, says Mr Peer Schatz, chief financial officer of Nasdaq-listed Qiagen, Germany's only quoted biotech company. Germany is "losing 15,000 jobs a month and want us to help employment", he says, though he warns politicians that the industry will only be able to create a limited number of jobs.

Upsetting European politicians is only one of the dangers. Biotechnology is notoriously risky and few European investors are familiar with the the extreme volatility of the US sector. In the past two months, US biotech share prices have fallen by more than 15 per cent. In the previous two months they rose by almost 10 per cent.

The volatility is the result of uncertainty. Since most biotech companies make no sales, their value is based on supposed future earnings. Such are the difficulties of forecasting sales of a product that may never even be launched that sentiment towards the sector is affected by the results of the most recent drug trials.

Weak stock markets starve the biotech sector of cash. In the US, the worst capital famine in recent years lasted from 1992 to 1995, leading to a spate of mergers, lay-offs and bankruptcies. Europe has yet to experience that kind of a downturn, says Mr Steven Burrill, a Californian biotech financier. When it comes, European companies will have to be revalued by bruised investors.

"What upsets me is the poor quality of European biotechnology analysis," says the senior executive of a large Wall Street securities house. Some London analysts say it is their US rivals who have got it wrong. One London analyst has applied his valuation methods to US biotech companies and found them to be overvalued: in one case he valued a company at $20 a share when the actual price was more than $40.

There are many reasons for these differences of opinion. US investors tend to press companies to get their most promising product to market, while Europeans seem happy to allow a company to build up a broad product portfolio. Some analysts believe that the average quality of companies in Europe is higher than in the US.

But Europe still has much to learn from the US. With the partial exception of the UK, scientists established in academia or the private sector are reluctant to risk joining a start-up venture, which forces European companies to look overseas for staff. Conventional career patterns do not include biotech, making recruitment difficult even for middle-ranking jobs.

Neither has Europe settled the ethical questions surrounding biotechnology. There may yet be a public backlash. Mr Simon Moroney, chief executive of Munich's Morphosys, says the recent cloning of Dolly the sheep by Scotland's Roslin Institute damaged the prospects for biotechnology in Germany because it revived debate on the ethics of genetic manipulation.

All of this adds up to a European biotech scene that is very different from the US. Europe is the "wild east", a landscape rich in scientific resources but barely touched.

That is changing fast. The forces that created the US biotech industry are becoming stronger in Europe: the capital is there, scientists are becoming more interested in commerce, managements are gaining experience and governments are more sympathetic.

The possibility still remains that a disaster in a clinical trial in Europe could set the industry back several years. But, barring such catastrophe, Europe's infant biotech sector will continue to make rapid progress.

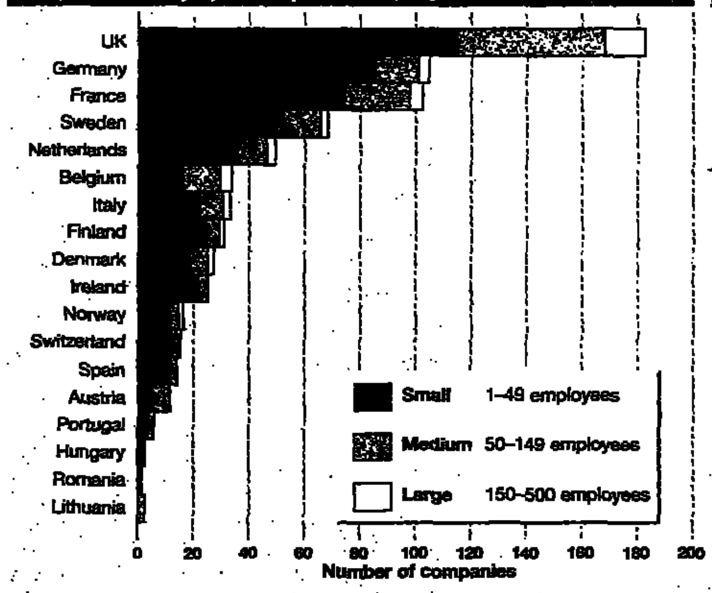
Europe's biotechnology industry: counting on growth

Biotechnology industry

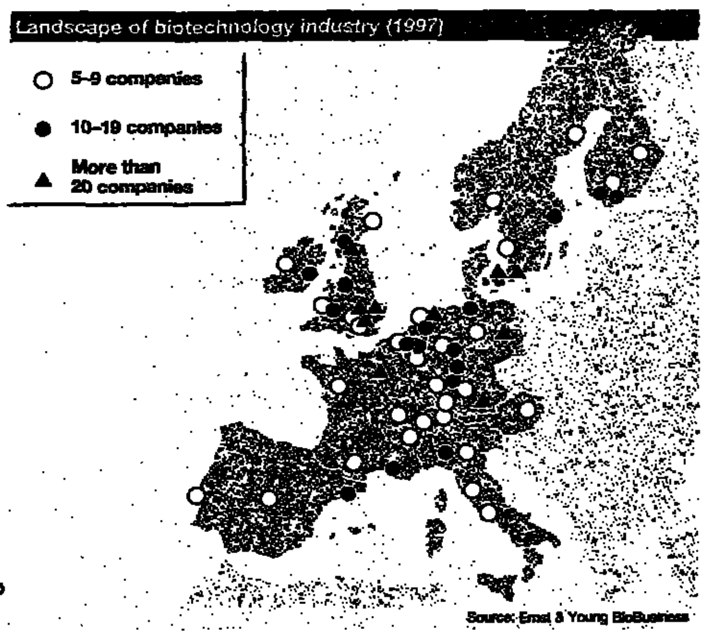
Public companies	1996 Europe	1996 US	1995 Europe	1995 US	Per cent change Europe	Per cent change US
Financial						
Revenues (Ecu m)	433	9,040	297	6,960	46	30
R&D expense (Ecu m)	243	3,760	158	3,440	54	9
Net loss (Ecu m)	54	1,760	73	1,840	-26	-4
Industry						
Number of companies	49	294	28	260	75	13
Employees	5,315	73,000	2,958	60,000	80	22

Industry total	1996 Europe	1996 US	1995 Europe	1995 US	Per cent change Europe	Per cent change US
Financial						
Revenues (Ecu m)	1,721	11,680	1,471	10,160	17	15
R&D expense (Ecu m)	1,508	6,320	1,252	6,160	20	3
Net loss (Ecu m)	1,113	3,750	1,206	3,680	-8	2
Industry						
Number of companies	716	1,287	584	1,308	23	-2
Employees	27,500	118,000	17,200	108,000	60	9

European industry by country and company size



Landscape of biotechnology industry (1997)



Source: Ernst & Young BioBusiness

· OBSERVER ·

Swiss image gets a polish

■ US Senate banking committee chairman Alfonse d'Amato had threatened to cross-examine an empty chair at today's hearings into Switzerland's wartime dealings with Nazi Germany.

But the Swiss government has just done something very un-Swiss: hired a professional spin-doctor to help it clean up its international image, and the chair will be occupied by Switzerland's diplomatic troubleshooter Thomas Borer.

The spin doctor in question is Kathy Bloomgarden, pushy president of New York PR agency Ruder Finn. She made her mark in Switzerland by helping to transform the image of Dan Vasella, Novartis chief executive, from shy hospital doctor into admired boss.

But the appointment hasn't gone down well with everyone. Bloomgarden's style certainly worked for Vasella but it didn't prevent the career of another high-profile client, former Volvo chief Pehr Gyllenhammar, taking a nosedive: his 20-year stint in charge at Volvo ended in 1993 after Swedish shareholders and the company's top managers ran his cherished dream of a merger with Renault off the road. But the biggest gripe in Switzerland is that Bloomgarden should be spending more time behind the cameras than in front of them.

Bloomgarden's talents may have gone down well with publicity-seeking Borer, but this does not mean she can be assured of a fat long-term retainer from the penny-pinching Swiss.

Cramer campaign

■ Jim Cramer, the eccentric, outspoken hedge fund manager and ubiquitous financial columnist, is getting under the skins of executives at media company Dow Jones in more ways than one. Cramer owns a million shares in the company, whose stock has underperformed the market, and has been lambasting its plans to spend millions of dollars reviving its ailing screen news service, the former Telerate.

To add insult to injury, he is now goading them on the journalistic front. He accurately called the bottom of April's market correction in his Internet financial news service TheStreet.com, with the cheeky justification that Dow Jones's weekly financial paper Barrons was pondering whether it was time to panic.

Never one to hide his light under a bushel, Cramer last week placed an ad featuring his column, including the Barrons reference, in the New York Times and Investors' Business Daily. The Wall Street Journal turned down the ad, and the $15,000 fee: "Hey, it was a good ad and they need the revenues," observes Cramer.

Still, Cramer has no plans to sell his stock. "It's an interesting situation: the people who run the company want the stock lower because it will shake out people like me," is his analysis.

Bon appetit

■ Observer has seen restaurants charge in mysterious ways, but wasn't previously familiar with the house rules in the Dreher Halaszcsarda in Budapest. After 7pm, you multiply the prices on the menu by 10.

Consumer protection authorities are probing a Dane's complaint that his party of four paid $6,000 for an admitted jolly night out. "These are our night prices," shrugged manager Imre Lehoczky. "We charge what the market will bear." The worst that can happen if the consumer defenders find there's been something not quite kosher is a less-than-draconian $176 fine.

The Halaszcsarda is not on a list put out by the US embassy in Budapest last week warning about overpricing and ungentlemanly pressure for payment in some Budapest clubs and eateries. Wonder what the places on the list charge.

Blue magazine

■ Conflict junkies can overdose on the first global magazine for law enforcers: the International Police Review, for around $130 a year, depending on which country your blue light flashes in. The first issue interviews former New York police commissioner Bill "zero tolerance" Bratton and has a handy guide to cops' websites.

Advertising includes guns, silencers, truncheons, handcuffs, badges and body armour – the VIP Elegance and VIP Elite models are especially fetching – and, most tempting of all, an "anatomically correct training target" which shows "all major internal organs and skeletal features to enhance recognition of shot placement." About 80 cents each for orders over 2,000, if you must know.

Securely seated

■ Speaking of keeping order, Finland's national airline Finnair has handcuffs on board so that anyone getting out of order can be cuffed to their seat. The airline says it has used rope until now, but some rowdies got wise and started carrying pen-knives to cut it.

The Financial Times

100 years ago

Gold In Georgia

Of the discovery and exploitation of gold fields there is seemingly no end. Georgia is to be the new centre of attraction, and Georgia contains more gold than all Africa put together. In fact it is a little doubtful whether the entire world is in the running. At least, that is the tone of the American papers to hand. But, at any rate, the Lumpkin district is creating excitement enough, and promises its supporters a run for their money. Mr. Stevenson, ex-vice president, went so far as to express his astonishment at the wealth of the Dahlonga field, and, making due allowance for the exhilarating effect of mountain air, there seems to be something in it.

50 years ago

Prices Battle In The U.S.

The battle of prices is developing in the United States, but so far the consuming side have not made great headway, the rather limited cuts in values being made largely at retail level in department stores and grocers. Nevertheless, at least two big retail organisations have gone into the "red" recently as a result of price reductions, falling volume of turnover and rising wage bills.

FINANCIAL TIMES
Thursday May 15 1997

Budget concerns may spur Telekom sell-off

By Ralph Atkins in Bonn

Mounting budget difficulties have forced the German government to consider the rushed sale later this year of a further stake in Deutsche Telekom, Europe's largest telecommunications group, partially privatised last November.

Mr Theo Waigel, finance minister, yesterday confirmed a sell-off was possible as the federal government coalition parties prepared for crucial meetings tonight and tomorrow over stop-gap measures to ensure Germany fulfilled the criteria laid down in the 1991 Maastricht treaty for the single European currency.

Tax estimates for this year and 1998, compiled by finance experts from federal and *länder* governments and due to be published today, are widely expected to point to a DM20bn budget gap compared with earlier forecasts. The opposition Social Democratic party last night suggested the figure could be as high as DM30bn.

The feverish activity in Bonn highlights the lack of room for manoeuvre if Germany is to pay the costs of high unemployment and keep its budget deficit this year under 3 per cent of gross domestic product, as prescribed by the treaty.

Mr Waigel said: "There are 4m unemployed whose unemployment money and social benefits must be paid. It does not lie in the power of finance ministers, or any other politician, to change that."

Besides the sale of Deutsche Telekom shares, other emergency measures could include cuts in social and unemployment benefits or an increase in indirect taxes. However Mr Wolfgang Gerhardt, leader of the Free Democratic Party, a junior coalition partner, said tax rises would be "counter productive". Mr Waigel said they would be a last resort.

The sale of the Telekom stake would not help directly with the deficit criteria as Maastricht does not allow the use of privatisation proceeds to offset a deficit. But funds raised could be used to retire debt, reducing interest payments and bringing Germany closer to meeting the benchmark on overall debt – which it is set to exceed because of the costs of reunification.

Mr Waigel said the government had no need to maintain a 74 per cent Telekom holding and was eager to keep momentum behind its privatisation programme. Investors' fears about their interests being diluted sent the share price lower, ending down 55 pfennigs at DM39.25.

Plans to sell government shares in Deutsche Telekom would face obstacles. A change in the law would almost certainly be required if the government was to renege on a pledge not to sell shares on the stock market before January 2000. A sale other than via capital markets might be possible, but would require Deutsche Telekom's agreement.

Mr Ron Sommer, Deutsche Telekom chairman, hinted the group was likely to oppose such a move, saying it would agree only if the interests of its 2m shareholders were not affected.

Gazprom seeks to close stock purchase loophole

By Chrystia Freeland in Moscow

The Russian natural gas monopoly Gazprom is preparing a crackdown on foreign investors evading a ban on the purchase of its domestic shares.

"In the near future there will be a test case," said Mr Leonid Griaznov, president of Horizont, Gazprom's investment arm. "We know we will not be able to catch everyone, but we will tell people: 'Do not come here'."

The company's initiative was backed yesterday by Mr Boris Nemtsov, the first deputy prime minister and head of a government board which will oversee the monopoly.

After a meeting with Gazprom chairman Mr Rem Viakherev, Mr Nemtsov said the government would seek to close loopholes that have allowed foreigners to purchase domestic stock.

Some western investors said they were taking the warnings seriously. At least one investment bank is advising clients to sell their domestic shares, and some of the vehicles used to buy the shares are being quietly wound down.

A two-tier market in Gazprom shares – with one pool for foreigners and one for Russians – was partly set up for national security reasons. But some outside investors got round the formal restrictions and bought shares in the local market where the price was much lower.

The purchases, which some investors said were tolerated by senior figures in Gazprom management, damaged the price performance of the foreign shares. Initially offered last year at $15.75 per American Depositary Share (ADS), they now fetch $16.

This has made it more difficult for Gazprom to return to the market with another share offering. Domestic shares were yesterday trading at 64 cents. There are 10 domestic shares per ADS.

Last month, in a letter to ADS holders, Mr Viakherev promised to defend the two-tier system. But foreign investors said the pledge would only have credibility after Gazprom abolished the so-called "grey market" share funds, which company officials admitted continue to flourish.

Mr Griaznov said Gazprom realised it was not possible to shut down all such schemes immediately .

Analysts said many investors were beginning to brace themselves for an attack on the schemes.

But other observers pointed to the personal interest many Gazprom managers are believed to have in increasing the domestic share price – a goal achieved by letting in foreigners – and the difficulty of monitoring the nationality of every share buyer.

See Lex

Singapore helps Thais defend baht

Continued from Page 1

Bt26.30 to the US dollar, compared with Bt25.915 on Tuesday, and was Bt0.42 below the floor of the band in which it is allowed to trade.

Traders said fears that a baht devaluation would spill over into other Asian currencies prompted the intervention. Malaysia's ringgit and Indonesia's ruppiah were under sustained pressure yesterday.

Analysts expect the attack on the currency to continue for the next few days. Nevertheless, many analysts believe as long as no serious bout of domestic capital flight takes place, speculators will be unable to force a baht devaluation.

For Thailand to lose $20bn in foreign exchange reserves, the level at which Thai officials privately say they would consider abandoning the dollar peg, speculators would need to access 16 per cent of total deposits in the Thai banking system and sell them in the foreign exchange market, according to a report by the brokerage Asia Equity.

Former executives arrested in Nomura scandal

By Gillian Tett in Tokyo

Three former executives of Nomura, Japan's largest securities company, were arrested yesterday in a growing scandal over the company's recent alleged payments to corporate gangsters.

The arrests occurred after the Securities and Exchange Surveillance Commission, Japan's financial watchdog, officially accused the executives and the company of criminal offences.

The political impact of the scandal prompted Mr Ryutaro Hashimoto, the prime minister, to warn that "those involved have to pay a penalty". Nomura faces losing business as several government bodies have cut their ties with the group.

Some municipal governments said they would stop using Nomura as an underwriter for bond issues. This follows the government's announcement on Tuesday that the company would no longer be allowed to underwrite Japanese government bonds, or trade them in the primary market, while the criminal case was under way. Nomura had previously accounted for an estimated 6 per cent of the market.

The company was also excluded from the Y300bn ($2.5bn) government-backed bond market.

The moves are expected to hit profits at Nomura, which is no longer the largest player in the Tokyo stock exchange as private sector clients have defected.

The most severe business blow to the group is expected to come in the next few weeks when the government decides, on the basis of the commission's report, what penalty to impose.

The Tokyo prosecutor's office launched a separate criminal investigation into the affair following the complaint from the commission. This alleges that Nomura established a special account for a property company related to *sokaiya* – corporate extortionists who threaten to disrupt shareholders' meetings – and then channelled some Y49.7m of payments through this in 1995. Payments to *sokaiya* are illegal.

The three former executives could face maximum penalties of up to a year in prison or a fine of up to Y1m, while Nomura could face a maximum fine of Y100m. Those under arrest are Mr Shimpei Matsuki and Mr Nobutaka Fujikura, both of whom resigned as directors in March, and former general manager Mr Osamu Fujita.

Nomura's shares fell Y70 yesterday to close at Y1,480.

THE LEX COLUMN

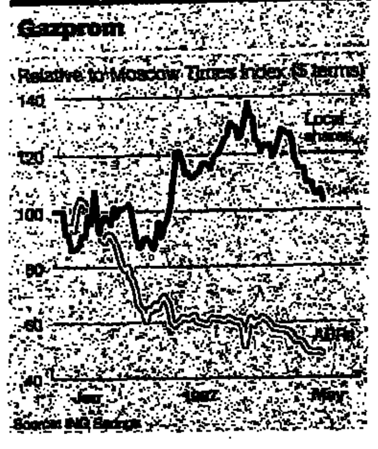
Fencing with foreigners

Gazprom has a problem: it is defending the indefensible. Not very surprisingly, the ringfence between the group's internationally-traded and domestic shares has proved rickety. The fence was a brilliant means of flogging shares to international investors at a high price last year while the domestic shares were stuck in the dumps; but it also created a mouth-watering temptation for arbitrageurs. The result? As the gap has narrowed, the internationally-traded shares have been one of the Russian market's few dogs.

No wonder international investors are spitting. They want the ringfence better policed, with some high-profile "grey funds" cracked down upon, *pour encourager les autres*. Doubtless Gazprom will oblige. But this strategy makes sense only if the ringfence is genuinely sustainable in the long run. This must be doubtful: such market-rigging devices rarely hold up for ever, and now international investors have been once burned it will surely be tricky to persuade them to buy more stock until the ringfence goes.

The better solution, therefore, would be to abolish the ringfence and compensate international investors with a package put to a demonstrably fair shareholder vote. Still, do not count on it. The consequence would be a sharp increase in international investors' holdings – a tricky prospect politically. But only the very brave will be tempted by the existing international shares, still at a 150 per cent premium, in the meantime.

FTSE Eurotrack 200: 2363.1 (+6.5)



Junk bonds

Could it be that European investors are finally acquiring an appetite for junk debt? A recent spate of oversubscribed issues in Germany and the UK provides evidence that the market is picking up. The bonds' subsequent strong performance can only encourage further investor demand. For small and medium sized companies, this is good news. High yielding debt provides a welcome alternative to equity, as well as providing access to longer term funds, competitive pricing and weaker covenants than in standard loans.

Two other factors should fuel growth: one is corporate restructuring in Europe, which should encourage recourse to junk debt. The other is the likely advent of monetary union; the disappearance of currency and interest rate risk will force investors to take a harder look at credit as a means of enhancing yield.

Still, a dramatic pick-up in the market is unlikely. Many European institutions are prevented from buying junk bonds. And British investors in particular still view debt as a source of stability in a portfolio, with equities being the preferred avenue for yield enhancement. Even the brave are faced with a problem: will they be able to assess the risks properly, and are the markets liquid enough for the risks to be managed? Studies in the US suggest that returns outweigh the risk of default. But the nascent state of the European market means risks are probably higher than in the US. Certainly, there are good reasons why junk will remain a minority taste.

Royal Dutch/Shell

Yesterday's Pirc resolution on Shell's environmental policies may have been heavily trounced, but it is not much of a victory for the company. Once the corporate governance consultants' resolution had become almost a vote of confidence, shareholders were right to back the board. But the question remains: why did the group allow the row to escalate so wildly out of control?

Certainly it has done Shell no good. The dispute has unhelpfully thrust the company back into the environmental spotlight. Quite how Pirc believed this served the interests of Shell shareholders, of course, is not clear. But the board's aggressive posture did not help. Shell claims to be relaxed about the spirit – if not the precise letter – of everything Pirc was asking for. If so, it would surely have taken much of the heat out had the board given shareholders an alternative environmentally-friendly counter-resolution to vote for.

Instead the management stuck to a high-handed and questionable position of principle: that shareholders have no right to question the company's environmental commitment, but should just take it on trust.

Does any of this really matter? Yes and no. Certainly the spat needs to be kept in proportion: it has done the share price no evident harm. On the other hand, the Brent Spar débâcle should not be forgotten. As a business with large retail operations, Shell cannot afford to ignore – or appear indifferent to – public opinion.

Cable and Wireless

It is hard to believe that Mr Dick Brown whirled into Cable and Wireless only 11 months ago. In that time the UK group's new American chief executive has sold off passive investments in Germany, Asia and Sweden and secured a future for Mercury in the UK by splicing it together with three cable companies. Nor has he ignored the operational side: yesterday's results showed big improvements in productivity and cash flow. Nevertheless, Mr Brown will need all his considerable energy to solve the two big questions still facing the group. First, in a world of telecom behemoths, C&W looks both too small and too unfocused, with investments in 70 countries. Part of the solution is to sell off more of the minority interests where it can add little value. But sooner, rather than later, C&W must join one of the three global supercarrier alliances if it wants to access the huge US, German and French markets.

The second issue is the future of Hongkong Telecom, accounting for two-thirds of group earnings. The Chinese almost certainly want to see C&W's 59 per cent stake fall below 50 per cent. The question is how rapidly that will happen and whether Mr Brown can, in return, cut a deal opening the door to mainland China. With the shares trading at a 20 per cent discount to analysts' sum-of-the-parts calculations, there is still plenty of opportunity to unlock value.

Additional Lex comment on Safeway, Page 22

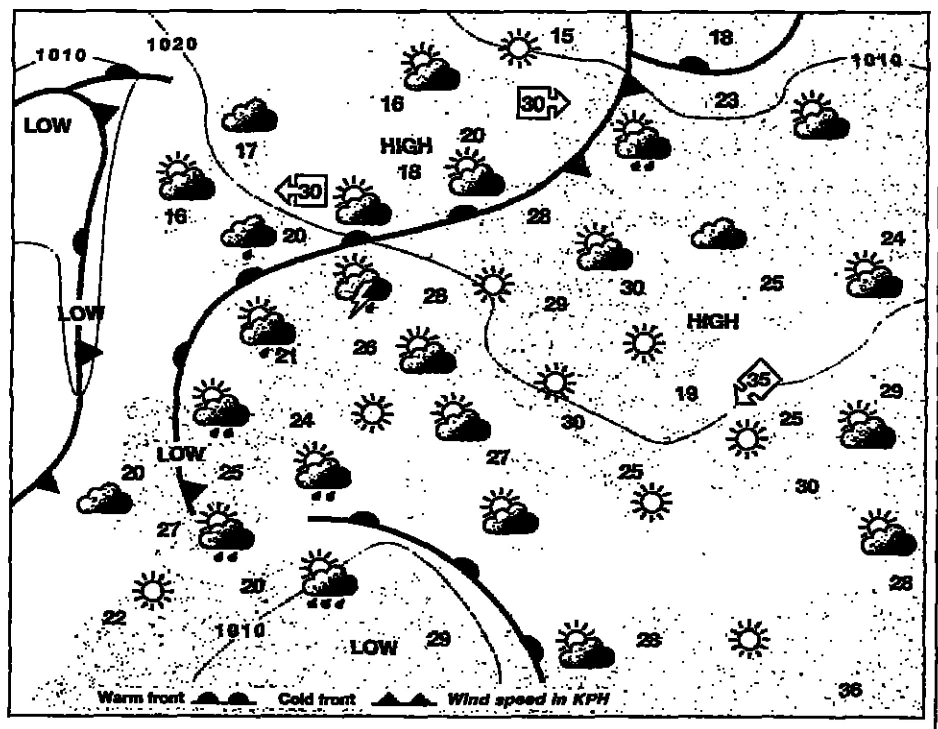
FT WEATHER GUIDE

Europe today

South-eastern Europe will stay warm, dry and sunny. Temperatures will range from 25C to 30C. This warm air will move into central Europe. The Alp countries, Poland and Germany will also have summery conditions with plenty of sun. The northern areas of Poland and Germany will have patchy cloud as will southern Scandinavia. The warm air from the east will meet cooler air over western Europe. At the boundary, cloud and showers will develop in Spain, western France and the south-west area of the Benelux. The UK will have cloudy periods with rain in southern England. In the cooler air, temperatures will be 15C to 20C.

Five-day forecast

Warm air will move farther into western Europe and it will become more settled. Central and south-eastern Europe will stay settled. France, the UK and the Iberian peninsula will have showers, some will be thundery. These regions will also turn warmer.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 27	Caracas	fair 32	Faro	fair 21	Madrid	shower 22	Rangoon	sun 34
	Celsius	Belfast	fair 17	Cardiff	cloudy 18	Frankfurt	sun 29	Majorca	shower 21	Reykjavik	cloudy 9
Abu Dhabi	sun 37	Belgrade	sun 26	Casablanca	fair 21	Geneva	fair 28	Malta	fair 26	Rio	fair 28
Accra	shower 32	Berlin	fair 28	Chicago	fair 12	Gibraltar	sun 24	Manchester	cloudy 18	Rome	cloudy 27
Algiers	shower 20	Bermuda	shower 25	Cologne	fair 29	Glasgow	cloudy 17	Manila	fair 33	S. Frsco	sun 24
Amsterdam	fair 22	Bogota	shower 19	Dakar	sun 28	Hamburg	sun 23	Melbourne	fair 17	Seoul	fair 22
Athens	sun 27	Bombay	sun 33	Dallas	thund 28	Helsinki	sun 19	Mexico City	shower 26	Singapore	thund 32
Atlanta	shower 26	Brussels	fair 26	Delhi	sun 37	Hong Kong	shower 30	Miami	thund 31	Stockholm	fair 19
B. Aires	sun 28	Budapest	sun 29	Dubai	sun 37	Honolulu	fair 29	Milan	fair 27	Strasbourg	sun 29
B.ham	rain 19	C.hagen	fair 18	Dublin	fair 17	Istanbul	sun 25	Montreal	rain 13	Sydney	fair 20
Bangkok	thund 38	Cairo	sun 31	Dubrovnik	sun 27	Jakarta	shower 31	Moscow	cloudy 23	Tangier	fair 22
Barcelona	cloudy 22	Cape Town	fair 20	Edinburgh	cloudy 16	Jersey	shower 18	Munich	sun 29	Tel Aviv	fair 28
						Karachi	sun 38	Nairobi	thund 25	Tokyo	rain 25
						Kuwait	sun 41	Naples	cloudy 27	Toronto	rain 12
						L. Angeles	sun 24	Nassau	thund 30	Vancouver	fair 22
						Las Palmas	fair 25	New York	shower 20	Venice	sun 25
						Lima	fair 27	Nice	sun 25	Vienna	fair 28
						Lisbon	cloudy 19	Nicosia	fair 32	Warsaw	fair 28
						London	rain 20	Oslo	fair 16	Washington	fair 23
						Lux.bourg	fair 27	Paris	cloudy 25	Wellington	shower 14
						Lyon	fair 29	Perth	fair 23	Winnipeg	cloudy 17
						Madeira	fair 20	Prague	sun 29	Zurich	fair 27

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Shell wins battle over monitoring

Royal Dutch/Shell, the largest western oil company, foiled an attempt by shareholders to establish external monitoring of the company's environmental and human rights policies. Page 22; Lex, Page 16

EC clears BT/MCI alliance
The European Commission granted formal clearance for the $20bn telecoms merger between British Telecommunications and MCI, the US long-distance carrier. Page 19

Christiania-Storebrand link closer
A controversial merger between Christiania, Norway's second-largest bank, and insurer Storebrand appeared closer when their boards agreed final terms. Page 18

Telecom NZ earnings down 18.9%
Earnings at Telecom New Zealand dropped 18.9 per cent to NZ$581.4m (US$404m) for the year to March 31. Page 20

German banks in merger talks
Regional banks Bankgesellschaft Berlin and Norddeutsche Landesbank are to enter merger talks, raising the prospect of consolidation in German banking. Page 18

Westpac first-half profits 12.9%
Westpac, one of Australia's four big commercial banks, posted a 12.9 per cent rise in first-half profits to A$638m (US$496m). Page 20

Building boom buoys Komatsu
The spending boom in east Asian infrastructure helped Komatsu, the world's second largest maker of construction machinery, achieve a higher than expected 27 per cent increase in net profits last year. Page 20

Imperial chief hits at advertising ban
Imperial Tobacco attacked the British government's plans for a partial ban on cigarette advertising as the company posted pre-tax profits of £143m ($232m). Page 24

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Badenwerk	530	+	15
Hochtief	74	+	3.50
Lahmeyer	77	+	2.20
Falls			
BHF Bank	42.55	–	1.57
Henkel	98.90	–	1.80
Siemens	93.79	–	1.71
NEW YORK ($)			
Rises			
Capstac Hldgs	28½	+	2¼
Converse	17⅝	+	2⅛
Cox Radio	23	+	2
Falls			
Applied Magnt	26¼	–	3¼
Boston Scien	49⅝	–	4⅞
Sports Author	17¼	–	1⅝
LONDON (Pence)			
Rises			
Circle Comms	75	+	7½
T & N	137	+	8½
Wood (J.D.)	140	+	20
Falls			
Cortecs	240½	–	28
Ostrontech	160	–	49½
On Demand	17½	–	6
TORONTO (C$)			
Rises			
Dreco Engy	63.40	+	10.40
Eli Eco Logic	4.90	+	0.85
Natl Sea Prd	8.90	+	1.15
Falls			
Beacon Eye	3.15	–	0.70
Sandalf Techs	3.05	–	0.42
Teklogix	11.05	–	1.45

PARIS (FFr)			
Rises			
AGF	194.30	+	3.80
BNP	262.10	+	12.90
Danone	918	+	25
UFB Loca.	561	+	39
Falls			
Cred Natl.	351.00	–	6.90
Legis	278.20	–	8.60
TOKYO (Yen)			
Rises			
CSK	3370	+	130
Hattori Seiko	865	+	45
Nippon Meat	1440	+	70
Yomiuri Land	689	+	29
Falls			
Nomura Sec	1480	–	70
Toa Corp	445	–	17
HONG KONG (HK$)			
Rises			
Amoy Props	8.45	+	0.15
Chen Hsong	4.60	+	0.10
HK Electric	28.20	+	0.65
Sime Dar HK	8.95	+	0.30
Wheelock	18.50	+	0.50
Falls			
Shaw Bros	8.00	–	0.10
BANGKOK (Baht)			
Rises			
Inoue Rubber	13.75	+	1.25
Muramoto El	19.25	+	1.75
President Rice	22.00	+	2.00
Siam-Thai Eng	38.50	+	3.50
Falls			
Nation Multime	63.00	–	7.00
Siam Cement	558.00	–	62.00

New York & Toronto prices at 12.30

Five airlines launch global alliance

Lufthansa and United will lead group offering flights to all the world's main cities

By Michael Skapinker in Frankfurt

Five airlines, led by Lufthansa of Germany and United Airlines of the US, yesterday formally launched one of the world's most powerful aviation groupings, capable of offering flights to every large city on earth.

The airlines – Lufthansa, United, Scandinavian Airlines Systems, Air Canada and Thai Airways – said discounts would be offered to corporate clients which arranged all their flights through the group, which will be known as the Star Alliance.

The airlines said they would retain their individual brands and identities, but would pool their frequent-flyer programmes and share some booking and airport facilities. They will share a ticket office in London.

The airlines said they were looking at ways of taking their alliance further and were examining the possibility of revenue sharing and joint purchasing. Mr Jurgen Webber, Lufthansa's chairman, said the airlines could use their joint buying power to purchase everything from "aircraft to toilet paper".

The new alliance, which has been widely expected for some time, will have revenues of $42.3bn and 211,000 employees.

The airlines will not take any equity stakes in one another. The five carriers said they would invite other airlines to join the alliance, with Varig Brazilian Airlines already due to join in October. South African Airways is also considered a candidate.

Mr Gerald Greenwald, United's chairman, said the airlines were talking to British Midland about joining, although Sir Michael Bishop, the UK carrier's chairman, has said his company has no plans to do so.

The airlines said they did not expect regulatory difficulties from either Washington or Brussels, given that the US and European Commission had already given approval to bilateral deals between the carriers.

Although the five airlines have been co-operating for some time, the launch of their multilateral alliance poses a significant competitive challenge to the proposed link-up between British Airways and American Airlines. The BA-American alliance has yet to win regulatory approval from authorities in the US, UK or Europe.

Delta Air Lines of the US already has alliances with Swissair, Sabena of Belgium, Austrian Airlines and Singapore Airlines.

Such arrangements permit airlines to transfer passengers between partners and help to ward off competition from low-cost carriers. The alliances also provide airlines with a way around regulations in most countries which prevent national carriers from merging with or being taken over by foreign companies.

C&W profits rise on HKT performance

By Alan Cane in London

Pre-tax profits at Cable and Wireless, the UK's second largest telecommunications group, rose 12 per cent to £1.42bn ($2.3bn) last year, encouraged by a strong performance from Hongkong Telecom and an impressive improvement at Mercury, the UK operator.

The shares, however, fell 14p to close at 496½, on market disappointment that the company would not comment on the future of Hongkong Telecom, in which it has a 59 per cent stake, or on possible alliances with other operators.

Turnover, including contributions from associate companies for the year to March 31, was 13 per cent ahead at £7bn.

The figures include a £93m charge for full-year losses at Vebacom, the German group sold by C&W in March, and a £42m increase in losses sustained by One-2-One, the UK mobile operator in which C&W has a 50 per cent stake.

Earnings per share rose 15 per cent to 30.3p (27.5p). The final dividend will be 7.7p, making a total for the year of 11.1p, up 11 per cent.

Mr Richard Brown, C&W chief executive, said yesterday that his objective was to find balanced global growth" through the organisation. Hongkong Telecom provides 65 per cent of C&W's profits. Mr Brown refused to comment on rumours that the Chinese government was anxious to acquire a majority stake in the Hong Kong operator. He said he believed HKT would continue to perform well.

He is keen to see other parts of C&W's worldwide operations – such as Cable and Wireless Communications, the UK subsidiary created this year from Mercury Communications and three cable television operators – grow more rapidly.

In its last year before the CWC merger, Mercury reversed the decline of earlier years. Turnover grew 2 per cent to £1.69bn but operating profits increased 26 per cent to £292m, while the operating margin was 17 per cent compared with 12 per cent in 1995.

The number of customers it connected directly to its network grew 16 per cent while business volume grew 15 per cent to 15.9bn.

A marketing campaign to establish Cable and Wireless Communications as the national brand is planned for this year while work is proceeding to merge the company's computer and billing systems.

He refused to be drawn on whether C&W would join a telecoms alliance such as Global One, owned by Deutsche Telekom, France Télécom and Sprint of the US. He said a suitable partner would have to bring substantial traffic to C&W's network as part of its contribution to such an alliance.

Lex, Page 16

Japanese digital TV deal: Rupert Murdoch, News Corp chairman, welcomes the participation of (left to right) Hisashi Hieda, Fuji TV president, Masayoshi Son, Softbank president, and Nobuyuki Idei, Sony president, as equal partners in the satellite broadcasting venture JSkyB, which plans to offer 150 channels to Japanese viewers. Report, Page 20 Picture: Reuter

ING pulls out of US bank talks

By Gordon Cramb in Amsterdam and Tracy Corrigan in New York

ING, the Dutch financial group, yesterday pulled out of talks to acquire a majority stake in Dillon Read, the Wall Street investment bank, saying they had not been able to agree on price or the degree of integration.

The outcome is a setback to ING's plans to expand its North American presence in corporate and investment banking. This was being planned as part of a worldwide integration of its activities with those of Barings of the UK, which the Amsterdam-based banking and insurance combine rescued in 1995.

A 25 per cent stake in Dillon Read, already diluted from the 40 per cent inherited by ING when it took over Barings, is now expected to revert to the partners, who have an option to buy back the 25 per cent stake at a fixed price by July 1.

The Dutch group said it remained "committed to building further its corporate and investment banking business" in the US and elsewhere. ING Barings, as the new division is called, already has some 1,200 staff in the US. Mr Ruud Polet, an ING official, added: "We will build this up and, besides, we will look around."

But he insisted the group was in no hurry to secure an acquisition, and described as speculation recent reports linking its name to that of Lehman Brothers, another prestige New York stockbroking house.

Mr Polet said the Dillon Read partners "were not only asking too high a price, but taking too separate a position within our new organisational structure". He declined to specify at what price they would have to buy back the holding.

The two sides confirmed at the beginning of the month that they were in negotiations that could lead either to a takeover or to a return to independence for Dillon Read, which had been through a succession of ownership changes over the past 15 years. Mr Polet said at the time: "For both parties, it would be best to stay together."

Dillon Read had previously hinted at a preference for regaining its independence. Earlier this month, a spokesman said: "Dillon Read keeps receiving proposals from ING based on ING's apparent desire that Dillon Read should not exercise its option."

Société Générale aims to rival fund market leaders

By William Lewis in London

Société Générale, the French bank, yesterday launched an ambitious effort to become a big player in the multibillion-pound UK institutional investment market.

It has appointed Mr John Richards, formerly a senior fund manager at Mercury Asset Management (MAM), the UK's leading fund manager group, and *Ms Nicola Horlick*, formerly star fund manager at Deutsche Morgan Grenfell, to spearhead its efforts. They are to be co-managing directors of its new UK fund management subsidiary.

Ms Horlick was expected last night to sign her contract with SocGen.

The bank wants to become a leading force in the UK institutional investment market to rival MAM and Schroders, the UK's second largest player.

Following approval from Imro, the fund management regulator, SocGen intends over the next few months to recruit a large team of young fund managers to help build from scratch its institutional investment business in the City.

SocGen refused to disclose the amount it is to invest in the operation or the salaries it *is paying to Mr Richards and* Ms Horlick.

"We want to be a central player in the UK market and have decided to hire the best people possible," said Mr Philippe Collas, who will be chairman and chief executive of SocGen Asset Management.

"If you are a 30-year-old fund manager you could expect Société Générale to be in touch in the next few months," Mr Patrick Pagni, the bank's UK chief executive, said yesterday.

The move by SocGen follows an 18-month study by the bank into the UK institutional investment market.

Mr Richards and Ms Horlick, both 36, are to be joint managing directors of SGAM.

Mr Richards resigned earlier this week from MAM where he was head of investment for UK *institutions and chairman of* the institutional asset allocation committee.

Ms Horlick resigned in January from Morgan Grenfell Asset Management and is one of the UK's highest profile fund managers. SocGen disclosed yesterday that talks with Ms Horlick had taken place while she was still at MGAM.

Germany leads in buyouts

By Graham Bowley in Frankfurt

Intense restructuring in German industry meant the country's management buyout market last year was the biggest in continental Europe for the first time, according to figures out tomorrow.

They underscore the changing face of German industry, as companies have come under intense pressure to restructure from international competition and depressed conditions in the economy.

According to Initiative Europe, a private equity specialist, and the University of Nottingham, the value of German management buyouts increased to $1.8bn last year. This was more than double the 1995 level and surpassed France – usually the most active continental market – for the first time.

In the UK, the market was worth $12.6bn in 1996, compared with $8.9bn in 1995.

The German MBO market has grown only slowly, disappointing many who thought it could expand more quickly to one of Europe's largest.

But it has been given fresh impetus by the increased willingness of large German companies to sell off subsidiaries and concentrate on a small number of core activities.

Although the German market still lags a long way behind the UK and US, the figures are evidence of Germany's growing acceptance of Anglo-Saxon financial practices.

"Now things seem to be finally taking off. New players – mainly UK equity houses – are flooding into Germany. There are not enough qualified equity managers. There is a lot of poaching going on," said Ms Antonia Millen, managing director of Initiative Europe.

The German market is dominated by foreign, mainly UK, equity houses. Of the 13 large deals last year, only one was managed by a German equity house, the survey found.

Europe Buyout Review, Initiative Europe and the Centre for Management Buyout Research, University of Nottingham, price £695 ($1,125). Available from: +441737769080.

Christiania-Storebrand link closer

By Hilary Barnes in Copenhagen

A controversial merger between Christiania, Norway's second-largest bank, and insurer Storebrand appeared closer yesterday when their boards agreed final terms.

But Storebrand's largest shareholder continues to oppose the link-up and the terms remain the subject of legal argument.

"We now look forward to entering into a more detailed dialogue with our shareholders concerning the agreed proposal in time for the extraordinary general meeting of shareholders on June 25," said Mr Jon Gundersen, Storebrand chairman.

The merger would establish a group with total assets of about NKr240bn ($34.18m), putting it in the same league as Den norske Bank, the country's biggest – although DnB will remain clear leader if it succeeds in its bid to gain control of BNbank.

But the Christiania-Storebrand merger is opposed by Aker RGI, the industrial and fisheries group, and Aker Rgi's biggest shareholder, Mr Kjell Inge Rokke, Norway's leading entrepreneur. Mr Rokke and Aker RGI together control about 16 per cent of Storebrand.

Mr Rokke has not publicly explained his objections to the merger, but he is believed to consider Storebrand should remain free of state influence.

If the merger goes ahead, the state, which is currently the biggest shareholder in Christiania, will have a 25 per cent stake in the new company.

Moreover, Mr Jens Stoltenberg, the finance minister, has applied to parliament for funds to raise the state's stake in the new company, probably to just over one-third. This would give the government a veto over decisions taken by the shareholders.

Mr Rokke appears to be seeking the support of another shareholder, the industrial group Orkla, in opposing the merger. Mr Jens Heyerdal, Orkla chief executive, has supported Mr Rokke on other occasions.

But Orkla has so far not given an opinion.

With or without Orkla's support, Mr Rokke's chances of stopping the merger have been reduced by a ruling by Storebrand's board. Under the Storebrand statutes, a single shareholder cannot vote for more than 10 per cent of the share capital. Storebrand argues that Aker RGI and Mr Rokke's holdings should be regarded as a single stake. A ruling on this claim by the Securities and Exchange Commission is awaited.

Aker RGI, meanwhile, disputes the value placed by Storebrand on preference shares in Storebrand, which were issued in 1993 to refinance the insurer after it collapsed during the Nordic banking crisis.

The Securities and Exchange Commission has given an opinion in favour of Storebrand, but the issue may finally have to be settled through the courts.

Malaysian throws Danyard a lifeline

A Malaysian company's enthusiasm for acquiring European know-how may save one of Europe's largest shipyards. The Danyard, in north-east Jutland, with 2,200 employees, is in danger of going the way of four other large Danish shipyards.

If Danyard, owned by the Lauritzen shipping and shipbuilding group, sinks, Denmark will have only one large yard – A. P. Moller-Maersk group's Odense Steel Shipyard.

Danyard's future depends on a deal by which Penang Shipbuilding & Construction, controlled by Malaysian entrepreneur Mr Amin Shah, would acquire a 48 per cent stake for $100m, with an option to buy up to 67 per cent.

The final agreement with PSC was signed in March, but completion depends on approval from the Malaysian government, which is not expected for two or three months.

However, even Mr Amin Shah's investment will not save the loss-making Danyard unless it can win new orders within the next few months. By the end of this year the work will begin to dry up as the yard nears completion on seven chemical tankers for Stolt-Nielsen, the Norwegian-American group.

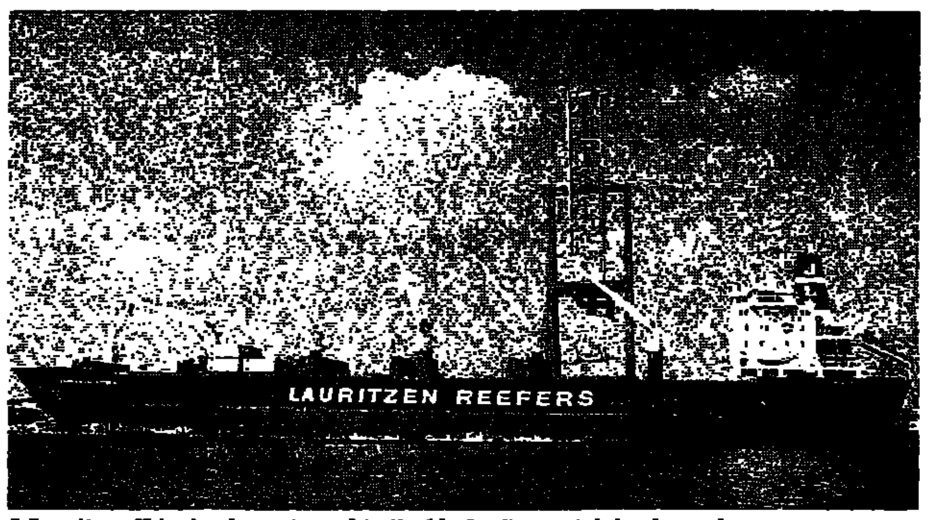
Even new orders will not be enough, given that chemical tankers – and, to a lesser extent, an order for two Seajet fast ferries for a Danish owner – was what drove Danyard ashore in the first place.

The contract price for the chemical carriers was DKr3.2bn ($486m). Largely as a result of delays and unsatisfactory quality on the first of the chemical carriers, the yard made a loss of DKr490m in 1995 and DKr1bn in 1996. Lauritzen Holding made a provision of DKr400m against these and any further losses, which are placing a strain on the holding company's own finances.

The group's equity capital has been halved from DKr3.8bn to DKr1.9bn over the past three years. In this time, both the shipyard and the J. Lauritzen Shipping Company, one of the largest operators of reefers (refrigerated cargo vessels), have sustained substantial losses, although the latter returned to the black in 1996.

The chemical carriers are advanced, stainless steel constructions. The yard underestimated the complexities of working with stainless steel, in what was a departure for Danyard, admits Mr Bent Ostergaard, chief executive of Lauritzen Holding.

"The problems were a combination of over-optimistic cost calculations and poor management and planning," he says.



J. Lauritzen Shipping has returned to the black after sustaining heavy losses

However, Mr Ostergaard believes that the yard has now learned its lesson, and negotiations are under way with Stolt Parcel Tankers for an order for two more chemical carriers, with an option for another two. Mr Amin Shah is represented in the negotiations for the orders.

Danyard's main business is the construction of large merchant vessels, but it also has a naval division.

A further twist to the Malaysian link is Danyard's participation in a consortium bidding for an order from the Malaysian government for six ocean patrol vessels – the first batch of a planned total of 27.

Even if the Malaysian government chooses another yard, Mr Ostergaard is confident of Mr Amin Shah's continued support.

"Amin Shah is interested in the know-how in both the naval and the commercial divisions. Danyard has shipbuilding know-how in which he will still be interested," he says. "Danyard is an organisation with a long history of how to build ships, and this knowledge is important if you are to build new ships and have never done it before."

Meanwhile, Mr Ostergaard is reasonably confident that the Lauritzen group, which has incurred an accumulated loss of DKr1.8bn since 1992, when it last made a profit, faces a better future.

He expects the J. Lauritzen Shipping Company, as well as the DFDS-Scandinavian Seaways group (in which Lauritzen is majority shareholder), to perform "reasonably well" in 1997, while the group's two manufacturing units, Aalborg Boilers (marine and other boilers) and Sabroe (industrial and maritime refrigeration equipment) are also expecting to increase profits this year.

Hilary Barnes

NordLB and BGB in merger talks

By Frederick Stüdemann in Berlin

Regional banks Bankgesellschaft Berlin (BGB) and Norddeutsche Landesbank are to enter merger talks, raising the prospect of long-awaited consolidation in German banking.

If successful, the merger would create one of Germany's largest banking groups with combined balance sheet assets of more than DM550bn ($324m).

The two banks said yesterday a consultative committee of managers and politicians had recommended that merger talks proceed. The aim is to complete the talks by the end of this year and for the new group to be operational by mid-1998.

A merged entity could be placed under the holding company structure of BGB, which already wholly owns, or has majority stakes in, three Berlin banks. NordLB's investment banking and corporate customer businesses, as well as its foreign activities, would be transferred to BGB.

BGB and NordLB have been already established joint mortgage banking operations, a common data-processing subsidiary and a consultancy business advising the public sector on project finance and privatisation.

NordLB also holds a 15 per cent direct equity stake in BGB, as well as a 2.5 per cent indirect stake.

The possible cost savings from a merger had yet to be worked out, BGB said.

The ownership of a merged banking group would reflect the current mix of public and private shareholders. The city of Berlin owns 56.8 per cent of BGB, while the state of Lower Saxony owns 40 per cent of NordLB. The east German states of Mecklenburg-Vorpommern and Saxony-Anhalt each hold stakes of 16.66 per cent in NordLB.

EUROPEAN NEWS DIGEST

New members to join Neuer Markt

Germany's new share market for small, fast-growing companies unveiled three potential new members yesterday. LHS Group, the software company, and Lösch, which specialises in waste recycling, will become only the third and fourth members of the Frankfurt exchange – called the Neuer Markt – since it was founded in March. Separately, DG Bank announced it would be launching SER Systems, a high-tech company, on to the Neuer Markt on July 16 in a DM1.9m ($1.12m) share offering.

Deutsche Börse, which runs the exchange, said a further five companies would launch new issues by the end of September. An official said the exchange would have 15 company listings by the end of the year and was considering an index of these shares when this target was reached.

LHS will list from May 21 after a public offering of shares in the US, where it will have a parallel listing on Nasdaq. Goldman Sachs will launch the offering and will act as market-maker along with BHF Bank. Lösch, which has been listed on another Frankfurt market since October 1996, will relist on the Neuer Markt next month. It is being led by Dresdner Bank. Dresdner and Flemings will act as market-makers for the company's shares.

The moves follow the launch of MobilCom, a mobile telephone network, which became the first company to secure a new issue on the Neuer Markt in March. Bertrandt, the car design company, relisted its shares on the Neuer Markt in March. *Graham Bowley, Frankfurt*

Lower tariffs hit Iberdrola

Iberdrola, Spain's largest electricity company after the state-controlled Endesa group, reported net profits down 5.3 per cent to Pta32.1bn ($224m) in the first quarter. The fall, in line with forecasts, was blamed on a 3 per cent cut in electricity tariffs and unusually warm weather. The results were also hit by higher provisioning charges and a drop in hydraulic power production.

Tom Burns, Madrid

Expanding Sol Meliá up 41%

Sol Meliá, the fast-growing Spanish hotel group that listed in Madrid last summer, lifted first-quarter net profit 41 per cent to Pta1.2bn ($8.4m). Revenues were 14.9 per cent higher at Pta2.8bn. The net profit was helped by lower tax rates, higher occupancy and the addition of 11 new hotels during the quarter, bringing the total to 212 in 23 countries. Sol Meliá's initial public offering in July, which put 40 per cent of the family-owned business on the market, raised $275m and the shares have since surged more than 100 per cent. *Tom Burns*

Novo Nordisk sales ahead 7%

Novo Nordisk, the Danish pharmaceuticals and industrial enzymes group, shrugged off "an unsatisfactory decline of 6 per cent" in first-quarter sales of its core insulin and diabetes care products in the important US market, as group first-quarter sales rose 7 per cent to DKr3.66bn ($568m). Operating profits were ahead 8 per cent at DKr552m. Net financial income, however, slipped from DKr47m last time to DKr8m, with pre-tax earnings rising only 1 per cent from DKr557m to DKr560m. Earnings per share edged ahead from DKr5.28 to DKr5.30.

The result was in line with market expectations, but Novo Nordisk shares firmed yesterday.

Hilary Barnes, Copenhagen

EUROPEAN NEWS DIGEST

Kirch, Canal Plus in Telepiú talks

KirchGroup, the German media company, and Canal Plus, of France, yesterday acknowledged they were in talks about the possible sale of a stake held by Kirch in the Italian pay-TV network Telepiú. However, they denied reports that they were close to an agreement. "We have never made a secret of the fact that we are in regular contact with Canal Plus," Kirch said. As both companies are shareholders in loss-making Telepiú it was natural that they should talk, the German group added.

A deal on Telepiú, in which Kirch and Canal Plus each hold 45 per cent stakes, would suit both companies. Canal Plus, which has pay-TV interests in France and Spain, has openly expressed its ambition of taking a more commanding position in Telepiú. Kirch, meanwhile, is struggling with the high costs of DF-1, its German digital pay-TV network, and would probably welcome any income from a sale of its stake. Fininvest, the holding company of Mr Silvio Berlusconi, the former Italian prime minister, which holds the *remaining 10 per cent in* Telepiú, yesterday denied reports that it, too, was considering pulling out of the Italian network.

Frederick Studemann, Berlin

Banque Hervet advances

Banque Hervet, the French bank, yesterday unveiled net profits up 23 per cent to FFr22m ($3.84m) for the first quarter of 1997, the last results ahead of its planned privatisation by public offer. Profits were boosted by an increase in commissions of 2 per cent and of non-interest bearing deposits by nearly 6 per cent, while the bank's intermediation margins remained unchanged.

Mr Patrick Careil, chairman, indicated that if the economic situation remained unchanged, the bank should be able to report profits for 1997 above those of 1996. The bank is continuing to move towards privatisation in spite of the uncertainty caused by France's general election campaign.

Andrew Jack, Paris

Anglo in Colombian mine buy

Anglo American Corporation, South Africa's biggest group, is moving into international coal production by taking a 50 per cent stake in a mine in northern Colombia. Two members of the Anglo "family" – Anglo American Coal Corporation, which operates in South Africa, and Minorco, the group's offshore operating company – will each spend $145m to buy the stake and expand the mine.

It is estimated this expansion will take five years and cost $540m, because it will include new rail and port infrastructure. The Anglo companies are buying their interest from Glencore, the Switzerland-based international trading group. Glencore will retain the other half of Cerrejon Centrale, which operates an open-cast coal mine 800km north of Bogotá.

Kenneth Gooding, Mining Correspondent

Scramble for Mol shares

Fists flew in a Budapest shopping mall early yesterday as retail investors scrambled to be first in line for shares Mol, the Hungarian oil and gas company, on the last day of a $65m secondary domestic offer. Police were called to break up a fight as some 60 small investors who had queued all night outside a branch of the issuer, Creditanstalt Bank, reacted angrily when they discovered a group already inside when the bank opened for business. The incident illustrated the heavy demand for the issue of nearly 4m shares, or 4 per cent of Mol. It was available to domestic investors at Ft 2,970 ($16.25) a share. Two per cent of the shares were allocated to retail investors who, as an inducement to purchase, had only to stump up a 30 per cent downpayment with 12 months credit to pay off the remainder.

Kester Eddy, Budapest

Brussels clears BT-MCI merger

By Emma Tucker in Brussels

The European Commission yesterday formally cleared the $20bn merger between British Telecommunications and MCI, the US long-distance carrier.

Mr Karel Van Miert, the competition commissioner, imposed only two substantial conditions on the deal, which creates the world's second-largest telecommunications group with annual turnover of about $42bn.

However, the merger is still awaiting approval from the US Federal Communications Commission and the Justice Department, which are not expected to give their verdicts until the autumn. The deal faces *opposition from rival* telecoms company AT&T, which has argued its customers in the UK have to dial a prefix code to gain access to its own network.

In his verdict, Mr Van Miert did not address this, focusing instead on BT-MCI's dominance in transatlantic telephone calls, as well as its leading position in the UK telephone conferencing market.

He concluded that the merger as originally proposed would have given the new company, known as Concert, a dominant position in the market for UK-US calls. However, he said he was satisfied by their commitment to give rival operators fair access to their submarine cables. BT and MCI own 30-40 per cent of transatlantic lines.

Soundings taken from competitors and customers during the Commission's investigation suggested satellite did not yet provide a satisfactory substitute for cable in the supply of international voice telephone services.

The Commission also told MCI to sell its telephone conferencing business in the UK, worried that BT and MCI own 80 per cent of the UK market.

"Despite the relatively low investments necessary to set up an audio-conferencing business, entry into this market on a sufficiently large scale might prove difficult," it said.

Ramaphosa poised to head GFSA

By Mark Ashurst in Johannesburg

New Africa Investments, *South Africa's biggest black-*controlled company, is poised to acquire joint control of Gold Fields of South Africa, which will increase the influence of black business groups in the white-owned mining industry.

The deal could install Mr Cyril Ramaphosa, a past president of the National Union of Mineworkers and former secretary-general of the ruling African National Congress, at the head of the country's fourth-largest mining group.

Mr Ramaphosa, who quit politics in May last year to join New Africa, has made it known that his greatest ambition in business is to reform the mining industry. But his initial plan to acquire Anglo American's controlling stake in JCI, the mining group sold to black business groups in November, was dashed when New Africa was outbid by a rival offer from the African Mining Group.

New Africa, Gold Fields and Rembrandt, the indus*trial holding* group that owns about 40 per cent of GFSA Holdings, Gold Fields' parent, will today advise shareholders that they have entered talks that could give New Africa a stake in Gold Fields.

Mr Jonty Sandler, New Africa chief executive, said the company hoped to take control of Asteroid, an unlisted holding company which owns a further 43 per cent of GFSA Holdings.

The deal, valued at about R1.8bn ($403m) at current prices, would make Rembrandt and New Africa joint controlling shareholders in GFSA Holdings.

Asteroid is jointly owned by Gold Fields and Driefontein, an operating mine in which Gold Fields and Anglo both hold significant minority stakes. But Asteroid is understood to be in effect controlled by its management. This labyrinthine structure dates from 1988, when it was sanctioned by it to protect Gold Fields from the threat of a hostile takeover from Anglo.

Mr Sandler said New Africa would seek to acquire the entire interest of both companies in Asteroid, which would unwind the old capital structure. "We are entering into a partnership with Rembrandt. No longer will Gold Fields control itself. It will move into an era of more normal arrangements," he said.

French biotech group seeks London listing

By Daniel Green

The first French biotechnology company to seek *a listing on the London* Stock Exchange is planning its flotation early next year.

Mr Emile Loria, chief executive of Toulouse-based Biovector Therapeutics, said he hoped the company would be valued at about £100m ($163m) at the time of the float.

Biovector is developing a method of delivering vaccines and other drugs by manufacturing, what are in effect, artificial look-alikes of viruses.

The company uses a synthetic core instead of the genetic material in the middle of natural viruses, but coats it with proteins as with a real virus.

By choosing a protein that has an effect in the body, the *virus-like particles become a* drug delivery method.

The company signed yesterday a deal with Canadian biotech company Biochem Pharma to use the technology to develop an influenza vaccine to be delivered in a nasal spray.

Mr Loria said the particles could deliver materials other than proteins and that another deal would be signed before the flotation went ahead.

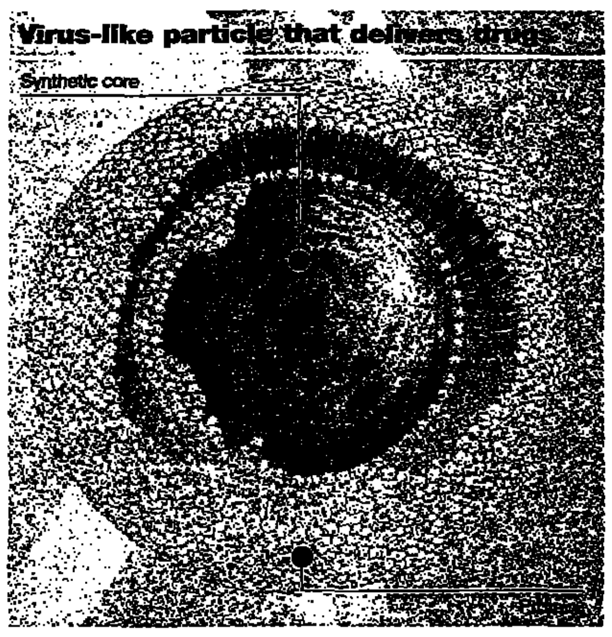
Biovector will probably be the only French company with its sole stock exchange listing in London.

Nasdaq in the US and London are the main markets for biotechnology companies.

Floating in France would *unnecessarily restrict the* shareholder base, Mr Loria said, while managing investor relations after a Nasdaq listing would be too time-consuming and the European Easdaq market had yet to prove itself.

Other French companies also see foreign markets as attractive. Genset, one of the biggest biotech flotations of 1996, listed both in Paris and on Nasdaq.

Mr Loria said this situation was unlikely to change, given the French government's relatively modest efforts to encourage biotechnology. He said the financial inducements recently introduced in Germany, for example, were much greater – though both countries were about five years behind the UK in adapting stock markets to the needs of biotech companies.



Cloning US success, Page 15

COMPANIES AND FINANCE: ASIA-PACIFIC

Building boom buoys Komatsu

By William Dawkins in Tokyo

The spending boom in east Asian infrastructure helped Komatsu, the world's second largest maker of construction machinery, achieve a higher than expected 27 per cent increase in net profits last year, as sales rose 10 per cent.

Consolidated net profits reached Y18.16bn ($153m) on sales of Y1,098bn, the third consecutive year in which profits and sales have risen.

Overseas sales leaped 21 per cent to Y411.45bn. In contrast, domestic sales rose only slightly, by 4 per cent to Y687.46bn, as the benefits of buoyant private sector construction activity were largely negated by a slowdown in Japanese public works.

Group net profit margins increased to 1.6 per cent of turnover, from 1.4 per cent in 1995, thanks to a Y8.4bn decline in interest costs to Y23bn.

Sales of construction equipment overall rose 11.5 per cent to Y716.9bn, helped by a sales campaign for a new series of rough terrain cranes and hydraulic excavators and an expansion into equipment rentals.

However, the civil engineering and construction division – Komatsu's second largest business unit – reported a 13 per cent decline in sales to Y99.8bn.

In the current year, Komatsu expects Japanese private sector purchases of equipment to remain robust, but forecasts a decline in demand from the public sector. Again, Asia will be the main engine of growth.

The group gave no forecast for consolidated profits for the current year to March 1998, but expects its Japanese parent company to increase unconsolidated net profits by 10.5 per cent to Y13.5bn over that period, on sales up just 1.8 per cent to Y560.

Looking further ahead, Komatsu last month launched a three-year management strategy to equip it for increased competition by boosting new products and technological innovation.

The programme aims to lift annual sales to Y1,500bn by 2000 and raise the company's return on equity from its estimated 3.5 per cent to 10 per cent over the same period.

Komatsu is the latest to join a growing list of Japanese manufacturers that have added increased profitability to the former emphasis on sheer sales growth.

Westpac up 12.9% but remains cautious

By Nikki Tait in Sydney

Westpac, one of Australia's four big commercial banks, yesterday announced a 12.9 per cent increase in first-half profits to A$638m (US$496m) after tax, but said current pressure on lending margins would make it difficult to maintain this growth in the rest of the year.

"I think it would be very hard to maintain that profits growth in the second half," said Mr Bob Joss, Westpac *managing* director. "There are real margin pressures through all aspects of the product range."

The impact of the margin squeeze was most noticeable in the core Australian banking unit, where operating profits fell from A$308m to A$274m. The institutional banking division also slipped, from A$154m to A$122m.

Westpac's profits advance translated into a 17.8 per cent increase in earnings per share, to 34.4 cents, while the return on ordinary equity rose from 14.7 per cent to 16.9 per cent. Westpac attributed this to its efforts in capital management – notably its securitisation programme and share buy-back scheme.

Reuter

Bob Joss: pressure on margins will make it hard to maintain the same level of profits growth in the second half

The first-half result came after a reduction in the charge for bad and doubtful debts from A$70m to A$50m. However, the group's interest margins fell from 3.68 per cent to 3.55 per cent. Total interest income was A$4.43bn, against A$4.01bn, while interest expenses rose from A$2.46bn to A$2.74bn.

Westpac's expense to income ratio rose from 61.7 per cent to 63.3 per cent. However, before restructuring charges and intangibles, the increase was smaller, at 62.05 per cent.

The bank said it had in effect completed the integration of Challenge Bank, in Western Australia, with the merger delivering efficiency benefits of about A$38m a year. The integration of Trust Bank in New Zealand is still in progress, and just under half the planned "synergy benefits" of NZ$140m (US$97.3m) have been achieved.

Westpac is also seeking to acquire Bank of Melbourne, in Victoria, subject to regulatory approvals. It said yesterday it could raise up to A$500m via a non-converting preference share issue to fund the A$1.5bn deal if the BoM offer proceeded and a large number of shareholders opted to take the cash terms.

The New Zealand and Pacific operations posted profits of A$149m, compared with A$88m, while Australian Guarantee Corporation made A$63m, against A$43m. There was a swing on "other items", from a deficit of A$28m to a profit of A$30m.

Westpac is declaring an interim dividend of 19 cents, up from 16 cents last time.

ASIA-PACIFIC NEWS DIGEST

Quinn resigns as Newcrest chief

Shares in Newcrest Mining, the Australian gold producer, surged 25 cents to A$3.46 yesterday, after the company announced the surprise resignation of Mr John Quinn, its managing director. The resignation resulted from "differences between Mr Quinn and the board", according to the company. Neither Newcrest nor Mr Quinn would elaborate.

The news surprised many analysts, who had not detected any serious disagreement between the managing director and his board. Mr Quinn, 50, had been Newcrest managing director since it was formed through the merger of the Australian goldmining arms of BHP and Newmont in 1990. He will be replaced temporarily by Mr Ian Johnson, a former group executive at CRA.

Nikki Tait, Sydney

Brokers tighten Thai links

ABN Amro Hoare Govett Asia and SocGen Crosby, the European brokerages, yesterday moved to take big stakes in two Thai securities companies, in what is likely to herald a reorganisation of the broking activities of Bangkok Bank, Thailand's largest commercial bank.

Hoare Govett made a tender offer for 49 per cent of Asia Securities Trading, in which Bangkok Bank holds a 9 per cent share directly, and much more indirectly through the Sophonpanich family.

The offer, valued at Bt35 a share for 68m shares, or about $84m, places a 45 per cent premium on Asia Securities' share price of Bt24.

The high premium for a securities company which made less than $30,000 in the first quarter of this year contrasts with the values placed on several struggling brokerage and finance houses as they seek to merge or bring in foreign partners.

Meanwhile, SocGen and Bangkok Bank yesterday agreed to restructure the securities activities of Asia Credit, one of Thailand's largest finance and securities companies, of which SocGen and Bangkok Bank each own more than 25 per cent. Many analysts believe SocGen will take a 49 per cent stake in the securities arm, the largest amount allowed by Thai law.

Ted Bardacke, Bangkok

Trust bank damps rumours

Shares in Sumitomo Trust, Japan's second largest trust bank, were suspended on the Tokyo Stock Exchange yesterday after the company moved to squash rumours of an impending new share issue. The move followed a surge of speculation about the health of the bank and its overseas plans.

Mr Takenori Osakabe, managing director, insisted that the bank would report a profit for 1996, and denied that the group was planning to withdraw from overseas operations.

Gillian Tett, Tokyo

Sony and Fuji TV to join JSkyB venture

By Michiyo Nakamoto in Tokyo

JSkyB, the digital satellite broadcasting company established by News Corporation and Softbank, confirmed yesterday that Sony and Fuji TV are to join as equal partners in the venture, which plans to offer 150 channels to viewers in Japan next April.

Mr Rupert Murdoch, chairman of News Corp, and Mr Masayoshi Son, president of Softbank, said that Sony and Fuji TV would participate in JSkyB as managing partners, and would bring valuable content to the multi-channel service. The size of each company's stake has yet to be decided.

Sony, which has a small stake in PerfecTV, a competing service, emphasised that its equal partnership in JSkyB would give it management responsibility. The consumer electronics company owns Sony Pictures Entertainment and Sony Music, and is expected to bring its advanced technology and successful marketing to the venture.

Fuji TV, one of Japan's five national terrestrial broadcasters, will provide content as well as its extensive experience in broadcasting in Japan. Mr Murdoch believes its substantial library of home-grown programmes is crucial to the success of JSkyB.

Mr Murdoch has insisted that the co-operation of Japanese terrestrial broadcasters will be instrumental in determining the fate of the satellite multi-channel service. However, an investment in another national broadcaster, TV Asahi, which News Corp and Softbank made last year, triggered a defensive response from the Asahi media group, and Mr Murdoch and Mr Son were obliged to sell their 21.4 per cent stake back to the Asahi Newspaper.

Dentsu, the advertising agency, Marubeni, the trading company, Orix, the leasing company, and Hikari Tsushin, a fast-growing cellular phone retailer, will also take stakes in JSkyB. The exact size of each company's stake has yet to be decided. JSkyB is also in talks with Hollywood studios.

The launch of JSkyB will boost competition in Japan's broadcasting market, which is dominated by five national terrestrial broadcasters and a public broadcasting satellite service. A handful of much smaller cable TV services has been struggling to win market share.

Telecom NZ slides 19%

By Terry Hall in Wellington

Earnings at Telecom New Zealand dropped 18.9 per cent to NZ$581.4m (US$404m) for the year to March 31. The fall was blamed on abnormal costs relating to adjusting computers for the year 2000, operational restructuring and further losses at an Australian subsidiary.

Mr Roderick Deane, chief executive, said the company – controlled by Bell Atlantic and Ameritech, the US telecoms groups – would have reported a 3.2 per cent rise in profits to NZ$770.5m had it not been for the one-off costs. The operating result was a good one against a difficult economic background, he said.

Telecom NZ has earmarked NZ$58.3m after tax to adjust its computers for the so-called 'millennium bug'. The company plans to rectify the problem in 1999, and Mr Deane said the cost would be low because most of the computers were new.

Telecom NZ is spending NZ$43.2m on restructuring to improve efficiency, which will involve staff cuts.

Operating revenue rose 6.2 per cent to NZ$3.1bn, in spite of strong price discounting. Telecom NZ spent NZ$41.7m during the year on launching businesses, including Internet access and value-added services.

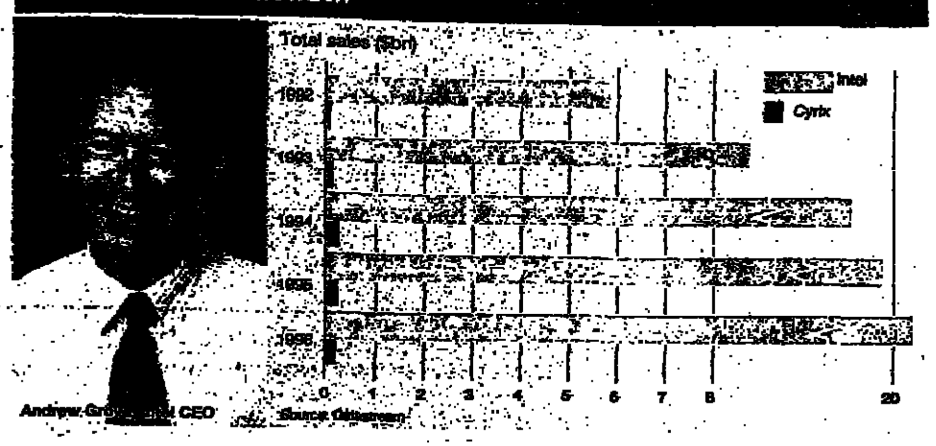
The company has earmarked a further NZ37.6m as the final costs of withdrawing from its unprofitable Pacific Star business in Australia. Total costs last year of winding down Pacific Star, a joint venture with Bell Atlantic, were NZ$87.6m.

Mr Deane said the early promise shown by the Pacific Star investment in Australia had become a drain on earnings. The difficulties were partly due to an over-ambitious management team, which was no longer with the company; and to tougher competition from Telstra and Optus, following the deregulation of Australian telecommunications.

He expected competition in New Zealand to remain intense with the prospect of further entrants.

COMPANIES AND FINANCE: THE AMERICAS

Second patent suit filed against Intel



By Louise Kehoe in San Francisco

A Texas chipmaker has filed a patent infringement lawsuit against industry leader Intel, the second such suit in 24 hours.

Cyrix, which produces "clones" of Intel microprocessor chips, charged on Tuesday that Intel's Pentium microprocessors, used in the vast majority of personal computers, infringed one or both of two patents issued to Cyrix.

Cyrix's legal action came on the heels of a broader lawsuit, filed by Digital Equipment, the fourth-largest US computer company, charging Intel with infringement of 10 patents issued to Digital between 1988 and 1996.

Intel said yesterday it knew nothing of the Cyrix patents or what they covered. "We received no notice of the patents being issued. We will be attempting to look at them today," it said.

Intel said it had no idea why Cyrix had taken the unusual move of filing a suit *without issuing any* warning. Typically, when a company obtains a new patent, it informs competitors, warning them against infringement, before taking legal action.

Cyrix, which reported 1996 revenues of $183.8m and a net loss of $25.9m, is tiny compared with Intel, which had revenues last year of $20.8bn and net income of $5.2bn.

However, the companies have a history of legal disputes related to Cyrix's efforts to "clone" Intel microprocessors. A month ago the companies settled out of court over Cyrix's use of Intel's MMX trademark.

In the latest suit, Cyrix is seeking a preliminary injunction forcing Intel to halt shipments of microprocessors that allegedly infringe on the new patents, as well as permanent injunctive relief plus unspecified damages.

Meanwhile, Digital stepped up its efforts to portray Intel as a company that had risen to success through unlawful use of a competitor's technologies. Intel "wilfully and deliberately" infringed Digital patents, Digital charged in its lawsuit.

In full-page advertise*ments in US newspapers,* Digital reiterated its charges against Intel. "We don't mind competing against anyone's technology – except our own," Digital said.

The company also sought to reassure customers that its personal computer products, most of which are *based on Intel chips,* would be unaffected by the lawsuit.

Digital sells more computers based on Intel microprocessors than those built using its own Alpha chips, noted Mr Terry Shannon, publisher of an industry newsletter covering Digital. He said this was unlikely to change.

So far, the lawsuit has worked in Digital's favour, Mr Shannon added. "The company has gained marketing exposure and, if its case has merit, Digital may gain a large damages award and a revenue stream [from patent licenses]."

Speculation about how *Intel* may respond to the lawsuits was rampant in Silicon Valley yesterday. Some observers expect Intel, which has a deep patent portfolio, to file counter-charges.

The size of any damages award in the Digital case, which could run to billions of dollars, continued to drive *Intel's share price down* yesterday. In early trading, Intel was down $3⅛ at $149⅛. Digital was up $⅛ at $35⅝, while Cyrix climbed $1 to $24.

Timken seeks bigger slice of market

The bearings maker has pleased investors with efforts to expand outside the US

Mr W. R. "Tim" Timken, chairman of Timken, the biggest US maker of anti-friction, or rolling, bearings, enjoys pizza. He likes to compare one of the staple *products of the fast-food* industry with the items made by the company set up by his grandfather 98 years ago.

"A pizza costs $13 and I can eat it in 15 minutes. A Timken bearing costs $2. It's made from the world's finest alloy steel, has 12 rollers and a retainer all precision-ground, and it lasts longer than a car. Is the bearing good value? You bet!"

Mr Timken – whose company is the world's sixth-biggest maker of bearings – can be forgiven for sounding upbeat about his products.

Timken last year increased net income 24 per cent to *$138.9m, on sales up 7 per* cent at $2.39bn. Having underperformed the US stock market for much of 1995 and early 1996, the company's shares have since last autumn outperformed the market by some 17 per cent.

Mr David MacGregor, analyst at Midwest Research, an Ohio-based investment group, says the company has "accomplished a lot" in recent years in efforts to reduce production costs and the cyclical nature of its businesses, while also expanding beyond its domestic base.

Mr Kurt Rivard, analyst at Baird & Co, another invest*ment bank, said:* "I give the company high marks for its approach in recent years in finding out where the growth niches are for its products."

Of Timken's sales, about two-thirds comprises bearings, most of them specialised forms of these systems called tapered roller bearings, a product in which it is the world leader. The rest of Timken's income comes *from highly pure special* steel, which the company sells to outsiders as well as using it in its own products.

Mr Timken – who took over as chairman from his father 22 years ago and whose family continues to own 19 per cent of the company, even though it floated in 1922 – is optimistic about the next few years for the bearings industry.

He reckons that the stodgy 2-3 per cent annual growth the sector has experienced in the past decade could easily double as the developing economies of south-east Asia start to build industrial infrastructure and turn to *motorised transport.*

Use of bearings – which go into just about every type of industrial equipment that has rotating parts – tends to expand particularly fast in developing economies, as more industrial investment goes into mechanical systems and less into computers and office equipment.

China alone is increasing the use of bearings by 10 per cent a year. On Mr Timken's calculations, it could by 2005 become the world's biggest market for bearings after North America.

The US and Canada account for about one-third of the world's $30bn a year *sales of anti-friction* bearings. The other five largest suppliers are SKF of Sweden, NSK, NTN and Koyo of Japan, and Germany's FAG Kugelfischer.

Mr Timken says the company is "aggressively" stepping up its efforts to win world market share.

Malcolm Watson

On a roll: 'Tim' Timken says that he is 'the only man in the world who can look at bearings and see his name on them'

The US accounts for 68 per cent of Timken's bearing production. Outside the US, the company *is increasing investments in* plants in Singapore, China, Australia, India and Poland. The chairman particularly wants the company to "get bigger" outside Europe and North America, an area that takes just 12 per cent of sales.

Strategically, Mr Timken believes, his company is in a strong position, partly because it is beginning to reap the benefits of the $1bn or so it invested since the *mid-1980s in steel production* at its headquarters in Canton, Ohio. He calls the Timken steel plant "the best in the world" on the grounds it can turn out metal of particularly high tensile strength by "doping" with finely controlled volumes of additives.

With the steel for its bearings on tap – most other bearings makers buy their steel from outsiders – *Mr Timken says his company* can integrate new developments in steel technology with new bearing applications. This, he says, gives it a "significant advantage" over other bearing makers when it comes, for instance, to developing a new form of low-energy bearing for an engine maker.

Second, Timken's leadership in tapered roller bearings should give it a good platform for growth, since these types of bearings account for about a quarter of the total industry. SKF and NSK are the next biggest sellers of these bearings, which contain small tapers to take the brunt of forces on the bearing and to stand up well to sideways loads. They are useful in heavy machines where reliability and long service are particularly important.

Mr Timken says his company has another advantage that should help its development: a stable background in which the Timken family's involvement has been crucial. With just four chairmen in its 98-year history – all of them Timkens – the company has had "strength through continuity", he says, which he reckons customers appreciate.

He still gets a buzz from *picking up one of his company's products.* "I'm the only man in the world who can look at bearings and see his name on them," he says.

Peter Marsh

Chiron seeks European go-ahead for new injection

By Tracy Corrigan in New York

Chiron, the California-based biotechnology company which faced a setback last week in its efforts to bring Myotrophin to market in the US, yesterday filed with the European Medicines Evaluation Agency for clearance to market the injection in Europe.

Trials of Myotrophin, a treatment for the condition known in the US as Lou Gehrig's disease and in the UK as motor neurone disease, were found by a panel appointed by the US Food and Drug Administration to have produced insufficient evidence of the drug's efficacy.

However, the FDA, which must rule on the US application by August, is not bound by the finding.

Chiron developed the treatment jointly with Cephalon, a smaller biotech company. Both stocks fell sharply on news of the panel finding last Friday, but have since recovered. *Chiron was* trading around midday at $19⅝, up $⅛, while Cephalon was up $$\frac{7}{16}$$ at $13⅛.

"We think the drug is safe and effective and a much-needed therapy for this terrible disease," Cephalon said. "We'd have to look very seriously at the economics of developing the drug further if another drug trial were to be required [by the FDA prior to approval]."

There are about 25,000 sufferers of the disease of the nervous system – also known as amyotrophic lat*eral sclerosis – in both* Europe and the US.

Shell wins on environmental monitoring

By Robert Corzine

Royal Dutch/Shell, the largest western oil company, yesterday smashed an attempt by shareholders to establish external monitoring of the company's environmental and human rights policies.

As several dozen protestors demonstrated outside London's QE II conference centre, Mr John Jennings, the outgoing chairman of Shell Transport and Trading, the UK arm of the group, told the annual meeting that proxy votes from shareholders were running ten to one against the resolution. The proxies were still being counted yesterday evening.

The resolution had been brought by 18 institutional shareholders representing about one per cent of shares and was supported by Pirc, the campaigning pensions advisory group.

A final count was expected to reveal abstentions from several substantial institutions, including PDFM, the large City fund manager.

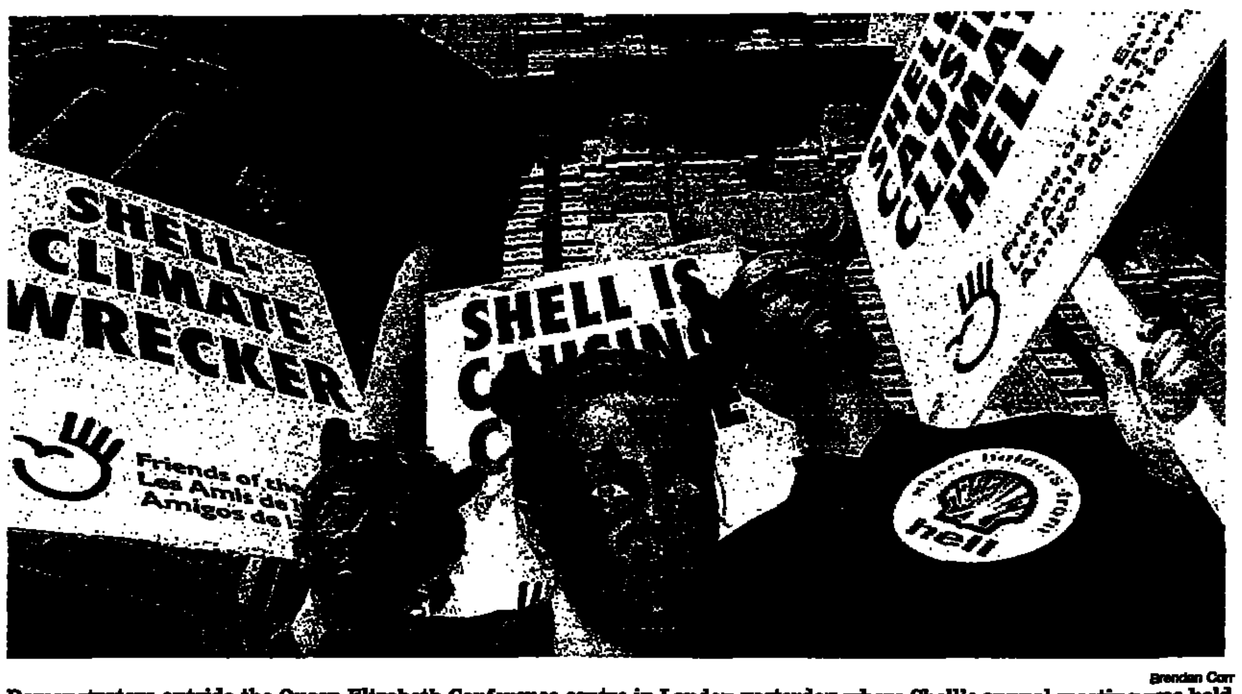
Ms Anne Simpson, co-director of Pirc, said the Church Commissioners, with about one per cent of Shell's shares, had written to say that they would abstain.

Shareholders at the annual meeting of Royal Dutch, held yesterday in the Hague, also called for the establishment of external audits, though no resolution was on their agenda.

The London vote followed a large investor and public relations campaign by Shell. It included personal visits by senior executives to the company's top 50 institutional shareholders and the publication of ground-breaking environmental reports on the company's worldwide operations.

But despite the one-sided outcome, both sides claimed victory.

Ms Simpson said Mr Jenning's admission that external "verification in principle was desirable" was a breakthrough. She also found solace in the fact that Shell has taken action on many of the issues raised in the resolution, although Pirc was concerned that the company continued to argue for employing different standards in different countries.



Brendan Corr

Demonstrators outside the Queen Elizabeth Conference centre in London yesterday where Shell's annual meeting was held

Mr Jennings went to some lengths to explain why Shell had made such an effort to defeat "what at first reading appears a resonable resolution." He said: "I have a problem with the concept of auditing policy. We have to leave the policy responsibility with the board."

But, he said: "We share the objectives of the resolution."

Lex, Page 16

Imperial chief criticises advertising ban

By Ross Tieman

Mr Gareth Davis, chief executive of Imperial Tobacco, attacked government plans, which were confirmed yesterday, for a partial ban on cigarette advertising. At the same time the company reported maiden pre-tax profits of £143m ($232m) for the first half, a little below expectations.

"An advertising ban will do nothing to reduce consumption," Mr Davies said. It would simply act as "an incredible barrier to new brands in the market".

Imperial said the decline in UK cigarette sales had accelerated from 2.5 per cent to more than 3 per cent a year, after duty rises in last November's Budget had pushed the price of premium brands above £3 a packet.

In the six months to March 29, smokers had continued to abandon premium brands for down-market and unbranded products.

Imperial's share of the UK market rose by 1 percentage point to 38.4 per cent, as its brands, including Superkings, JPS, and Lambert & Butler gained market share. But Gallaher, the American Brands subsidiary which owns market leader Benson & Hedges and the best-selling low-tar blend, Silk Cut, remained in the top slot.

The adverse sales trend was more than offset by productivity improvements and by price increases.

But the company's efforts to compensate by faster growth overseas suffered a sharp setback. Imperial's share of the French market slumped 31 per cent, falling to less than 4 per cent, after the French government froze cigarette prices. That prevented rivals responding to Rothmans' launch of the Winfield 30s discount brand.

Elsewhere, sales volumes rose 23 per cent through duty-free shops and 21 per cent in Iberia. The drive into emerging markets in Pacific Asia and the Middle East continued. Mr Davis said Rizla, the cigarette-paper company bought in January for £185m, was exceeding expectations.

Airtours cuts loss as overseas sales grow

David Crossland

By David Blackwell

Airtours, the UK-based tour operator, almost halved its interim losses as turnover from overseas businesses overtook UK sales for the first time.

Mr David Crossland, founder and chairman, said the group was "in very, very good shape, with all the assets being well used, good yields, high load factors and continued customer satisfaction".

The pre-tax loss for the six months to March 31 fell to £12.7m ($20.6m) from a previous restated £22.9m. Sales rose by 34 per cent to £818.4m.

Overseas sales were about £450m – more than the group's total turnover in 1995. The rapid expansion of the business has seen the share price double in the past 12 months. Yesterday, the shares jumped a further 30p to 974½p.

Most of the reduction in the interim deficit came from a turnround in the Scandinavian business, which for the first time moved into the black in the winter months. Its profit of £5.5m (£1.6m loss) more than offset losses of £1.2m in North America, after problems in Canada and start-up costs for the Californian tour business.

In the UK, losses fell from £17.9m to £9.6m as more customers paid the full brochure price for their holidays. Increased losses of £7.4m at Going Places, the travel agency business, reflected the costs of raising the number of foreign exchange bureaux from 346 to 690.

Mr Lars Thuesen, deputy chief executive of the Scandinavian business, will move to head the UK tour and retail businesses next month. The appointment will free Mr Crossland to concentrate on further expansion of the group.

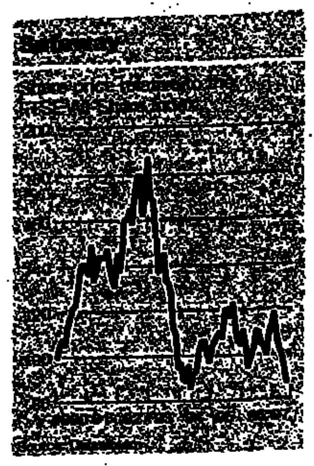
Competition authorities in Italy and the UK have cleared the £169m acquisition of Costa Crociere, the heavily indebted Italian cruise line, which is expected to be completed by the end of next month.

Airtours is buying Costa in a 50-50 joint venture with Carnival, its largest shareholder.

The interim dividend is increased from 3.25p to 4p after losses per share were halved to 8.18p.

LEX COMMENT

Safeway



It has been a long time since there have been no losers among the UK's big four food retailers. So the sight of Asda, J Sainsbury and Tesco all faring well has ravaged Safeway's shares during 1997. But investors will have to look further afield for victims, now that it has emerged that Safeway's genuine like-for-like sales growth is higher than Sainsbury's. In a period of low inflation, the superstores are less keen to slog it out on price. But they are also demonstrating that there is growth from the 40 per cent of their target market that is still in the hands of smaller retailers like Kwik Save and Somerfield. They must be delighted at the sight of the Co-op erecting barriers against takeovers, since it offers easy market gains for the foreseeable future.

Given the increasing difficulty in getting planning permission for superstores, the big four are all developing smaller concept stores to tackle segments of the market they had not condescended to look at before. This bodes ill for the likes of Somerfield, whose shares have been significantly out-performing Safeway's.

Of course, the big food retailers are not going to kick the habit of competing away much of their profits growth. But at least the environment has stabilised for the time being.

In the circumstances, Safeway's 20 per cent discount to the prospective price-earnings ratio for the market looks excessive. After all, Tesco and Sainsbury are back on an average rating.

T&N set to talk to Rheinmetall

By Peter Marsh

T&N, the engineering group, said yesterday it was ready to start detailed talks with Rheinmetall, the German industrial conglomerate, on how the companies could collaborate to form the world's biggest supplier of automotive pistons.

The talks follow an agreement between Rheinmetall and Kolbenschmidt, a rival German pistons maker which T&N has been stalking for more than two years, to merge their automotive components subsidiaries into a single company.

Both T&N and Rheinmetall are willing in principle to discuss forming a joint operation which would have piston sales of about £800m ($1.3bn) a year, more than Mahle of Germany, the world's biggest pistons maker.

Sir Colin Hope, T&N chairman, said the proposed merger of Rheinmetall's automotive parts business and Kolbenschmidt would "open up the prospect for T&N to be able to continue to develop its business on a global basis without the need for additional finance".

The venture between Rheinmetall and Kolbenschmidt will be called Pierburg Kolbenschmidt. It will be listed on the Frankfurt stock exchange. Rheinmetall will have more than 50 per cent of the shares.

CU warns of French slowdown

By Christopher Adams, Insurance Correspondent

Commercial Union yesterday unveiled a 23 per cent rise in first-quarter profits, but the composite insurer warned that sales in France could be restricted until early next year because of internal restructuring.

Operating profits rose from £83m to £102m ($165m), benefiting from a milder winter in the US and a strong performance from the life business. The overall gain would have been bigger, but for the recent strength of sterling which cut profits by £20m.

Life profits increased by 25 per cent to £62m at constant exchange rates. But new business sales were down in the key French market where the group derives much of its earnings.

"We would expect sales in France to remain dull this year and possibly through into the early part of next year," said Mr Tony Wyand, CU's executive director of European operations.

He blamed a recent disappointing performance in the French life market on the problems of merging two businesses. CU started integrating Abeille Vie with its own operations late in 1995 and has most recently been pruning the sales force.

In the highly competitive UK market, the group said it would reorganise its general insurance arm as part of efforts to reduce costs. It will begin targeting specific types of customer rather than sell insurance only along product lines. This may lead to the loss of several hundred supervisory jobs.

The underwriting loss narrowed from £99m to £71m, buoyed mainly by a £23m drop in US weather losses.

The UK result, however, worsened as premium rates continued to fall.

Despite signs that competition was easing in the personal motor market, CU cautioned against undue optimism. It said there was growing evidence that the recent drought would lead to increased subsidence losses this year. The cost of subsidence claims in the quarter rose from £7m to £11m.

Realised investment gains increased from £22m to £76m, lifting profits at the pre-tax level from £98m to £171m. The shares fell 13p to 736½p.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Airtours	6 mths to Mar 31 ★	818.4	(609.6)	12.7L	(22.9L)	8.18L†	(16.17L)	4	June 24	3.25	-	16
Bank of Ireland ♣	Yr to Mar 31	-	(-)	395.6	(315.6♠)	52	(41.5)	11.65	July 11	10.25	16.75	15.25
Cable and Wireless	Yr to Mar 31	7,002	(6,172)	1,418♥	(1,341♥)	30.3	(27.5)	7.7	Sept 1	6.92	11.1	10
Circle Comms ϕ	Yr to Dec 31	8.1	(11.9)	0.713	(1.12)	4.83†	(13.23)	1	July 1	-	1	-
Commercial Union	3 mths to Mar 31 ★	2,381□	(2,467□)	171	(98)	9†	(7.2)	-	-	-	-	30.3
El Oro	Yr to Dec 31	3.11	(2.32)	2.75	(1.96)	43.28	(31.01)	nil	-	21	22.5	21
Exploration Co	Yr to Dec 31	3.65	(2.7)	3.07	(2.33)	18.22	(13.76)	nil	-	10.5	11	10.5
Imperial Tobacco	6 mths to Mar 29	1,944	(1,861)	143	(174)	18.6	(-)	7.2	July 1	-	-	-
London Securities	Yr to Dec 31 ☆	1.84■	(1.79■)	0.738	(0.73)	11	(15.1)	2	June 20	5	2	8.5
On Demand Info	6 mths to Mar 31	5.6	(5.67)	2.29L	(1.29L)	4.21L†	(2.5L)	-	-	-	-	-
Safeway	Yr to Mar 29	6,590	(6,069)	420.6	(429.4♥)	26.8‡	(26.4)	9.7	Aug 4	8.7	14.1	12.75
Sage	6 mths to Mar 31	73.6	(71.8)	19.3	(16.1)	12.03	(9.92)	0.97	June 23	0.88	-	2.64
Sanderson Elects	6 mths to Mar 31	33.4	(30.6)	3.5	(3.32)	5.9†	(5.3)	2.4	July 7	2.1	4.6	4
Scottish Radio	6 mths to Mar 31	18.3	(13.3)	4.49	(3.24)	10.8†	(8.7)	3	July 4	2.5	-	7.8
Investment Trusts		**NAV (p)**		**Attributable Earnings (£m)**		**EPS (p)**		**Current payment (p)**	**Date of payment**	**Corresponding dividend**	**Total for year**	**Total last year**
Fleming Inc & Cap	Yr to Mar 31	107.04	(95.56)	6.53	(6.16)	5.27	(5.33)	1.55	June 1	1.7	5.45	5.3
F&C Pep	6 mths to Mar 31 ★	152.13	(138.63)	0.999	(1.02)	1.69	(1.77)	1.75	June 9	1.65	-	4.15
Perpetual Income	16 mths to Mar 31	111	(95.5#)	6.65	(-)	3.9	(-)	1.89	June 23	-	3.64	-
Taiwan	Yr to Dec 31 ★	96.3	(79.03)	0.835L	(0.634L)	1.54L	(1.41L)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives restated. †On increased capital. ‡On reduced capital. ♣Irish currency. ♠After exceptional charge. ♥After exceptional credit. ϕAim stock. □Total premiums. ☆Comparatives for 15 months. ■Net rental income. #At March 21 1996.

LucasVarity in Chinese venture

By Peter Marsh

LucasVarity, the Anglo-US engineering group, has entered a joint venture in China aimed at making it one of the country's biggest makers of diesel engines for use in trucks, buses and power-generating equipment.

Its Perkins subsidiary is investing £18m ($29.2m) in a factory in Tianjin, south-east of Beijing, which is projected by 2001 to make some 50,000 engines a year, worth roughly £100m.

The venture is Peterborough-based Perkins' first full-scale manufacturing project in China, where the diesel engine business is expected to double over the next three years as the economy expands. Perkins, one of the world's biggest diesel engine makers, plans to double its sales to about $2bn by the end of the century, with 30 per cent of the extra revenues coming from customers in Asia.

The joint venture company will be called Perkins Engines (Tianjin). LucasVarity will own 60 per cent, with the rest owned by Tianjin Engine Works, a Chinese company which already makes Perkins engines under licence.

Initially, engines will be shipped from Peterborough in kit form to the new factory.

TECHNOLOGY

Videoconferencing systems are set to share common standards, writes **Geoff Nairn**

Try to see it my way

Videoconferencing systems may soon be as ubiquitous as the fax machine, thanks to cheaper standards-based products that will work with equipment from different vendors and across multiple networks.

This prediction was made by the International Multimedia Teleconferencing Consortium, an industry body that includes the biggest IT and telecommunications companies, at a recent technical event held to demonstrate that the industry no longer deserves its reputation for costly and incompatible products.

Technical standards rarely grab the headlines, but the the event was dubbed a "milestone" as videoconferencing systems meeting open standards were tested exhaustively over different networks. Engineers from 38 of the 140 consortium member companies spent a week in a Berlin hotel ballroom plugging in each other's products to prove they conformed to several recently finalised technical standards.

If the products perform equally well in the world outside the ballroom, the videoconferencing market's value could grow to \$5bn in 2001, the consortium believes. Last year it was worth \$590m according to Frost & Sullivan, the market research company.

In the past, when industry standards did not exist, makers of videoconferencing equipment used proprietary technologies that required all parties in a conference to have the same equipment. Proprietary standards still exist – one of the most popular internet videoconferencing products, CU-SeeMe, is proprietary – but the consortium believes the case for adopting open standards is overwhelming.

Onscreen get-together: the industry is shaking off incompatibility

"Proprietary standards create technology islands that limit you to communicating with others with the same technology," says Deepak Kamlani, the consortium's corporate secretary. "The fax machine became prevalent because it is based on a common standard and we think the same thing can happen with [video]-conferencing."

Videoconferencing has traditionally employed the Integrated Services Digital Network (ISDN), but other networks are increasingly used, including the internet, corporate networks and intranets and the traditional analogue phone system. At present, all parties to a conference must use the same network, but the consortium believes that by 1999 users of different networks will be able to interconnect.

"We are convinced that seamless interconnection between networks is the most important achievement for the whole [videoconferencing] community," says Armin Schubert, the consortium's European vice-president and an assistant director with *Deutsche Telekom*.

The German operator believes ISDN is ideal for videoconferencing as it offers better quality than the internet or the analogue network. But not all consumers or businesses will want ISDN, so it plans to incorporate "gateways" into its ISDN network to allow internet and analogue network users to have videoconferences with ISDN users.

US-based VideoServer specialises in these gateways and recently signed a deal with Cisco, the leader in networking hardware, to include its gateways in Cisco products. One application would be to allow companies to expand their ISDN videoconferencing systems – typically room-based installations – by connecting them to a corporate intranet or the internet.

At the moment, using the internet for videoconferencing can be frustrating because it does not handle video traffic well. But intranets are more manageable, so the problems of mixing video with other network traffic can be handled better, says VideoServer.

Another reason for the consortium's confidence is the tumbling cost of desktop videoconferencing. Today's powerful PCs based on Intel MMX processors can run videoconferencing without needing expensive add-on cards.

Meanwhile, Microsoft plans to include free software in future versions of Windows and its Internet Explorer browser to hold audio, video and data conferences over the internet.

Bacteria to dye for

Microbes can be persuaded to produce a wide range of compounds through genetic engineering. Until now, however, the technology has been commercially exploited mainly in producing high-value pharmaceuticals.

This could be about to change. Genencor, the US biotechnology company, is commercialising a biological route to production of indigo, the dye widely used by denim manufacturers.

The process is a breakthrough – Genencor says it is the first use of a genetically engineered organism in the production of an industrial chemical.

To the layperson, however, the organism in question might seem a surprising choice. Genencor is using the e-coli (Escherichia coli) bacterium, one strain of which recently caused a fatal food poisoning outbreak in Scotland and is a common cause of serious illness. But other e-coli strains live harmoniously in human digestive tracts, and these are being used to produce indigo from glucose.

"The process has been around for a while. The problem was to make it economical enough," says Scott Power, Genencor research fellow. "We really worked with the metabolism of the organism to achieve this."

Genencor faced a sharp drop in the price of indigo from \$20 to \$12 per kilogram as the company was about to start production. "This meant that rather than enter the marketplace, we had to improve the yield," says Power.

Then, as the dye was being tested by a denim manufacturer, the fabric came out with a reddish tinge. It was caused by a compound called isatin which reacted during the fermentation to produce indirubin, a red-coloured compound

Genencor then found an enzyme, isatin hydrolase, from a common soil bacterium which removed the troublesome isatin from the fermentation. The enzyme was engineered into the production strain, which along with the control of the dissolved oxygen concentration in the fermenter, produced denim of the right blue colour.

The dye produced by this biological method has been tested on more than 200,000 yards of denim and has performed as well as the synthetic product. Genencor says the dye can now be offered at a price competitive with synthetic indigo, which is made in a process requiring eight different steps. Many of these steps take place at high temperatures and involve hazardous chemicals needing careful disposal.

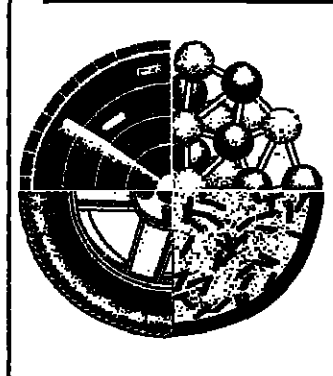
In contrast, the fermentation route uses a simple sugary broth to grow the bacteria. All the complex chemistry takes place inside the bacteria. It works at ambient temperatures and uses no toxic chemicals. The indigo precipitates from the broth and there is a relatively simple separation procedure.

Genencor is also working on a biological production route for 1,3-propanediol (PDO) with DuPont. PDO is used as a feedstock for polytrimethylene terephthalate (PTT), a polymer with similar properties to PET.

The replacement of synthetic processes with environmentally benign biological processes is significant in itself. But the greater significance of these developments in the longer term is in the replacement of petrochemicals by renewable feedstocks.

William Macdonald

Worth Watching · Vanessa Houlder



Bones of a new cancer treatment

Scientists in the US have succeeded in synthesising a promising new class of anti-cancer compounds, known as epothilones, according to a report in today's Nature magazine.

The anti-cancer action of the epothilones differs from most other agents in that it stabilises the microtubules that form the microscopic "skeleton" inside cells, which are an important part of a cell's defence against turning cancerous.

The approach devised by the Scripps Research Institute in La Jolla is the first of its type, although others have succeeded in synthesising one of these compounds over the past six months. Epothilones, which are produced naturally by a certain type of bacteria, are examples of natural products that have been found to be pharmaceutically active. The achievement of synthesising such complex molecules will make it easier for researchers to experiment with them and their structural analogues.

Scripps Research Institute: US, tel 6197842400; fax 6197842469.

Flexible friend for aircraft repairs

Aircraft are prone to developing tiny cracks as a result of constant changes of temperature and pressure. These are normally repaired using riveted metal reinforcement plates, although they can lead to new flaws over time.

A different approach has been developed by Sandia National Laboratories, which is operated by Lockheed Martin Corporation for the US Department of Energy. It has developed a thin tape made from strong, parallel boron fibres enmeshed in epoxy, which are applied to the aircraft's surface using adhesive, heat and pressure.

One of the main advantages of the material is its flexibility, which spreads the stress load on the aircraft more evenly than the riveted plates. It is also light, capable of being formed into complex shapes and quick to use. The technique has undergone a successful trial over the past two months.

Sandia National Laboratories: US, tel 5058446078; e-mail dproach@sandia.gov

Breaking down is hard to do

The organophosphates in pesticides are highly toxic and notoriously difficult to break down. But a Paris-based research team at the Topology and Systems Dynamics Institute of CNRS, France's national scientific research organisation, believes the problem can be cracked using compounds based on peroxyacids. The newly developed chemicals, which can destroy organophosphates and organosulfides, are fast-reacting and do not harm the environment.

The Topology and Systems Dynamics Institute: France, 0144276051; fax 0144276814.

System to read the smoke signals

An ultra-sensitive smoke detection system which can identify wisps of smoke before they are visible to the human eye could help organisations detect fires in their early stages.

The system, which uses closed-circuit TV security cameras, "reads" a unique electronic signature from smoke and fumes. When smoke is detected, the system, known as VSD-8, sounds an alarm and shows the location of the fire on a monitor.

The system, which was developed by Intelsec Security Systems, a UK security company, was originally commissioned by Magnox Electric to detect fire in power station turbines. The eight-camera system is expected to cost about £12,000.

ISL: UK, tel (0)1462 453330; fax (0)1462 456777.

INTERNATIONAL CAPITAL MARKETS

Europe buoyed by talk of rate cuts

GOVERNMENT BONDS

By Michael Lindemann in London and Jane Martinson in New York

European bond markets headed higher yesterday, finding support from stronger US Treasury prices and renewed speculation about interest rate cuts in Spain and Italy.

GERMAN BUNDS set the optimistic tone, in spite of concerns that the government will have unpleasant figures to grapple with today when it publishes its half-yearly tax estimates.

Rumours suggested that the government faces a shortfall of up to DM20bn in this year's budget, renewing fears that the 3 per cent budget deficit target would be fudged or that European monetary union might be delayed. Either would depress prices, analysts said.

Others took a more optimistic view, given that the bund market had broken through the 5.75 per cent mark on 10-year bund yields. "This market is in a mood to buy," said Mr David Brown, chief European economist at Bear Stearns.

The June bund future closed at 102.50, up 0.38 on the day and just below an intraday high of 102.59.

FRENCH OATS clearly felt the benefit of the good mood. The US figures and further opinion polls forecasting a centre-right election victory helped prices higher – so high, in fact, that analysts suggested profit-taking could be imminent.

Ms Natalie Fillet, at Paribas Capital Markets in Paris, said such a downturn could occur next week, once opinion polls have been forbidden in the last week before the first round of voting on May 25. A jittery market, feeding off rumours, was likely to see prices fall, she said, but whatever readjustment occurred would not be "substantial".

The June notional future settled at 130.64, up 0.26 on the day.

ITALIAN BTPs were in no mood to be bearish and received additional support from a stronger lira. The June BTP future picked up almost 1 point to settle at 130.39. Expectations about a further interest rate cut bolstered the market but Mr Mark Cliffe, economist at HSBC, warned that the real problem for Italian politicians – the 1998 budget talks – were likely to be "unsettling" for the market.

SPANISH BONOS settled at 116.07, up 0.31, after April inflation tumbled to 1.7 per cent, its lowest level in nearly 30 years. The yield spread of bonos over bunds remained unchanged at 83 basis points.

US TREASURY prices were cheered in mid-session yesterday by economic data which pointed to slower growth and lower inflation.

The benchmark 30-year bond rose $\frac{7}{32}$ to $96\frac{27}{32}$ at midday, although still short of earlier highs. The yield fell to 6.874 per cent.

Prices shot up after producer price information showed a monthly decline in April, the biggest for four years and the fourth straight monthly decline.

Some slowdown had been expected but the extent surprised the bond market. A note from analysts at Donaldson, Lufkin & Jenrette said that "there was no inflation whatsoever to be concerned about at the wholesale level of production".

Mr Robert McCool, senior government bond trader at First Chicago, said that the market expected the consumer prices figures to be released today to further calm inflation fears.

The yield curve stayed at about the same level as it has been since the beginning of the week. The yield on the two-year bond declined slightly to 6.218 per cent while that for the 10-year bond fell more steeply to 6.660 per cent.

Vitro follows trend with $300m issue

By Daniel Dombey in Mexico City

Vitro, the Mexican glass maker, is expected this week to announce a eurobond issue of at least $300m. It comes as part of a flurry of borrowing by Mexican companies eager to capitalise on banks' willingness to lend at the lowest rates since the peso devaluation of 1994.

Over the past two weeks, Femsa, a beverages company, has launched a three-year syndicated loan led by SBC Warburg, J.P. Morgan and ING Barings at 162.5 basis points above Libor, the London interbank offered rate. Cemex, the country's biggest cement company, has secured a $600m revolving credit line with a three-year maturity at 125 basis points over Libor.

Steel producer Altos Hornos de México (Ahmsa) has launched two private Yankees – dollar-denominated bonds issued in the US by foreign borrowers. These, totalling $425m, were for five and seven years. Demand was four times greater than the initial offer of $300m.

Moreover, telecommunications company Teléfonos de México (Telmex) has taken out one of the biggest loans since the devaluation – a one-year syndicated loan at 60 basis points over Libor.

The loan, led by Chase Manhattan and Morgan Guaranty Trust, will in large part be used to buy back the company's stock, since it is currently cheaper for Telmex to raise money through debt than equity.

"We're seeing Mexican corporates step into the shoes of the sovereign issues," said Mr Richard Segal of Santander Investment Emerging Markets in New York.

Appetite for Mexican paper has increased enormously, pushing down spreads. In the past 12 months, the spread on benchmark four-year sovereign debt has fallen 220 points to 174 above Libor, while its 30-year equivalent has fallen 270 points to 321 above Libor.

Ms Amy Falls, director of emerging markets fixed-income research at Morgan Stanley in New York, said spreads could tighten by another 25 points over the next year.

She argues that Mexico's high level of exports and strong current account and fiscal positions have attracted fixed income investors to the country, although the very high levels of international liquidity also play a big part.

The large number of syndicated loans being taken out by Mexican corporates could indicate that banks are particularly eager to improve their interest margins in the current climate, while bondholders are more cautious.

For their part, the companies are putting the money raised to different uses. Femsa and Ahmsa are using the proceeds to restructure current debt; the latter now has no short-term debt. Telmex's issue is in part impelled by the judgment that its current debt/equity ratio is too low.

"We're taking advantage of the liquidity that is currently in the market," said Mr Adolfo Cerezo, chief financial officer of Telmex. "It is a real opportunity."

UK investors shun Mexican offering

INTERNATIONAL BONDS

By Edward Luce and Samer Iskandar

Mexico's £300m foray into the eurosterling market received a lukewarm response from UK investors yesterday. As the first sovereign emerging market offering in sterling since Argentina's five-year deal last July, traders said they were surprised at the arms-length treatment it got from UK investors.

But an official at SBC Warburg, which jointly arranged the deal with BZW, said they were starting to register strong demand from retail investors in Europe. Asian investors had also shown strong interest.

Traders, however, confirmed that the deal had failed to ignite passions in the UK. "We have had difficulty finding UK institutions which have taken large amounts of this paper," one trader said. "It might take some time for them to get used to it. Emerging market issues are a rare occurrence in sterling."

Officials said that Mexico wanted to familiarise UK investors with its improving credit story in the lead-up to the planned creation of the European single currency – and a more unified European debt market – in 1999. The five-year issue was priced to yield 175 basis points over gilts and was bid at re-offer in the secondary market, according to syndicate officials.

TURKEY, in contrast, was prompted to re-open its $300m five-year offering because it proved so popular. The issue, launched on Monday, had another $100m added to it yesterday – most of it pre-sold, according to SBC Warburg, joint lead with J.P. Morgan. Officials said that the second tranche, which was priced to yield 2 basis points less than Monday's issue at 348 basis points, was snapped up by Swiss retail investors.

SWEDEN re-opened the long-dormant seven-year sovereign sector yesterday with a $500m offering. Priced to yield 18 basis points over the split between five and 10-year US Treasuries, the paper was apparently stable in the secondary markets last night. An official at ABN Amro, lead manager of the deal, reported strong buying from UK institutional investors. "Sweden recognised that the five-year market is overcrowded at the moment with a lot of spreads widening while the 10-year end is not exactly overpopulated," said an official. "Seven years was seen as a good gap to fill."

CASTLE TRANSMISSION's debut sterling bond received a warm welcome yesterday. The £100m issue of 10-year bonds from the consortium – which bought the BBC's domestic transmission network for an estimated £250m – was oversubscribed, allowing the lead manager Credit Suisse First Boston to increase its size to £125m. The bonds were also priced at the tight end of the range of expectations and below the psychological yield level of 200 basis points over gilts.

"This deal is a groundbreaker for the sterling sector," said J.P.Morgan, senior co-lead manager. "We expect it to open up a new market."

By late afternoon in London the bonds had risen by about 1.5 from their issue price of 99.161, the yield spread tightening by more than 15 basis points.

"UK investors showed tremendous appetite," said one syndicate official. But J.P.Morgan also reported strong interest by overseas investors, who bought nearly a third of the amount.

Of the total raised, £100m will be used to redeem part of a £157m loan from CSFB and J.P.Morgan.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Kingdom of Sweden	500	6.75	99.489R	May 2004	0.30R	+18(6%Apr02)	ABN Amro Hoare Govett
Huaneng Power Intl(a)§	200	1.75#	100.00	May 2004	2.50	-	JP Morgan Securities
Republic of Turkey(b)	100	10.00	100.046R	May 2002	1.00R	+348(6%%-02)	JP Morgan/SBC Warburg
Banco Mercantil Argentino	50	8.875#	99.884R	May 2000	0.75R	+255(6%%-00)	Barclays de Zoete Wedd
STERLING							
United Mexican States	300	8.75	98.713R	May 2002	0.50R	+175(7%-02)	Barclays de Zoete Wedd
Castle Transmission Fin(c,s)	125	9.00	99.161R	Mar 2007	2.00R	+195(7¼%-07)	CSFB
FRENCH FRANCS							
Volvo Group Fin Sweden	1bn	6.125	99.502R	Jun 2009	0.45R	+47(‡)	ABN Amro Finance/BNP
European Inv'ment Bank(d)	500	(d1)	100.00R	Jun 2007	0.325R	-	Société Générale
SWISS FRANCS							
Republic of Finland	200	3.25	101.25	Jun 2005	2.625	-	SBC Warburg
ITALIAN LIRE							
SunAmerica Inst Funding(e)	100bn	zero	101.275	Jun 2000	1.875	-	Cariplo
PESETAS							
Venetius(f)	10bn	5.452	100.00	Apr 2001	none	-	Argentaria
DSL Bank(f)	10bn	5.3836	100.00	Apr 2001	none	-	Argentaria
RAND							
Deutsche Finance Neths	2bn	zero	7.45R	Jun 2017	0.15R	-	Deutsche Morgan Grenfell

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Conversion price: $29.20 per ADS. Puttable on 21/5/02 at 128.575%. Callable from 21/5/00, subject to 130% hurdle, at par. Greenshoe: $30m. b) $300m launched on Monday was increased to $400m. c) Spens call provision (anytime at higher of par or gilts +50bp). Event risk put option at 101%. d) Callable on 13/6/02 at par. d1) 5.105% to 13/6/02, then 6.70%. e) Redemption formula: 100% + [21.06% + 5 x [(10yr - 3yr swap rates) -0.44%]], min zero. f) Quarterly coupons. ‡ Over interpolated. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	93.2368	-0.440	7.77	7.80	8.04
Austria		5.750	04/07	100.3600	+0.060	5.70	5.76	5.96
Belgium		6.250	03/07	103.4700	+0.420	5.78	5.87	6.17
Canada *		7.000	12/06	103.2200	+0.090	6.54	6.58	6.87
Denmark		8.000	03/06	111.6400	+0.440	6.24	6.41	6.77
France	BTAN	4.750	03/02	100.6358	+0.210	4.60	4.72	4.90
	OAT	5.500	04/07	99.6900	+0.310	5.54	5.69	5.93
Germany Bund		6.000	01/07	102.4600	+0.380	5.66	5.74	6.01
Ireland		8.000	08/06	109.9600	+0.350	6.53	6.69	6.95
Italy		6.750	02/07	97.3400	+0.470	7.13†	7.29	7.73
Japan	No 145	5.500	03/02	116.3812	-0.240	1.82	1.70	1.43
	No 182	3.000	09/05	103.1683	-0.290	2.54	2.43	2.12
Netherlands		5.750	02/07	101.2400	+0.240	5.58	5.65	5.92
Portugal		9.500	02/06	120.3500	+0.400	6.39	6.60	7.00
Spain		7.350	03/07	105.9300	+0.570	6.50	6.71	7.06
Sweden		8.000	08/07	107.5439	+0.450	6.94	7.11	7.43
UK Gilts		7.000	06/02	100-20	+3/32	6.85	6.99	7.37
		7.250	12/07	102-07	+9/32	6.95	7.11	7.67
		9.000	10/08	115-14	+11/32	7.01	7.18	7.75
US Treasury *		6.250	02/07	97-06	+1/32	6.84	6.71	6.89
		6.625	02/27	96-27	+5/32	6.87	6.93	7.11
ECU (French Govt)		7.000	04/06	107.6100	+0.250	5.88	6.02	6.32

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Close

		Treasury Bills and Bond Yields			
		One month	-	Two year	6.24
Prime rate	$8\frac{1}{2}$	Two month	-	Three year	6.39
Broker loan rate	$7\frac{1}{4}$	Three month	5.18	Five year	6.53
Fed.funds	$5\frac{7}{16}$	Six month	5.51	10-year	6.67
Fed.funds at intervention	-	One year	5.82	30-year	6.88

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	130.32	130.64	+0.26	130.72	130.24	122,201	167,432
Sep	128.76	129.04	+0.22	129.06	128.76	1,617	11,969
Dec	98.18	98.46	+0.22	98.18	98.18	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Jun	CALLS Jul	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Sep
127	3.39	2.12	2.50	0.01	0.31	0.69
128	2.42	1.35	1.81	0.05	0.53	1.00
129	1.51	0.76	1.22	0.13	0.94	1.40
130	0.72	0.34	0.74	0.34	-	-
131	0.20	0.12	0.43	0.82	-	-

Est. vol. total, Calls 22,682 Puts 35,038. Previous day's open int., Calls 112,536 Puts 163,993.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	102.10	102.50	+0.38	102.59	102.05	190991	268911
Sep	101.12	101.51	+0.37	101.56	101.12	5412	27396

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
10250	0.32	0.31	0.52	0.68	0.32	1.30	1.51	1.67
10300	0.14	0.19	0.36	0.51	0.64	1.68	1.85	2.00
10350	0.05	0.11	0.24	0.37	1.05	2.10	2.23	2.36

Est. vol. total, Calls 24070 Puts 14310. Previous day's open int., Calls 225156 Puts 269813

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	129.55	130.39	+0.83	130.54	129.50	75563	114800
Sep	130.60	130.66	+0.91	130.87	130.40	825	7318

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
13000	0.75	2.55	0.36	1.69
13050	0.47	2.25	0.58	1.89
13100	0.27	1.99	0.88	2.13

Est. vol. total, Calls 6351 Puts 4242. Previous day's open int., Calls 110067 Puts 120942

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	115.80	116.09	+0.33	116.18	115.76	84,830	89,820
Sep	115.25	115.30	+0.29	115.31	115.11	1,669	2,101

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	114-06	114-17	+0-10	114-20	114-03	74953	224691
Sep	114-15	114-27	+0-10	114-25	114-15	857	7763

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
114	0-53	1-43	2-02	2-18	0-19	0-53	1-12	1-28
115	0-22	1-06	1-32	1-49	0-52	1-16	1-42	1-59
116	0-07	0-42	1-05	1-19	1-37	1-52	2-15	2-29

Est. vol. total, Calls 4188 Puts 2816. Previous day's open int., Calls 80478 Puts 43283

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	96.00	96.26	+0.26	96.28	95.96	1,108	5,815
Sep	-	95.68	+0.26	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	109-24	110-15	+0-21	110-15	109-22	434,687	495,480
Sep	109-13	110-02	+0-20	110-02	109-10	7,495	65,327
Dec	109-20	109-11	-	109-20	109-20	4,051	10,326

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	123.74	-	-	123.84	123.63	4031	n/a
Sep	122.34	-	-	122.41	122.27	1799	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed May 14	Day's change %	Tue May 13	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	120.10	0.07	120.02	1.85	4.81
2 5-15 years (21)	155.00	0.20	154.69	3.53	3.30
3 Over 15 years (6)	182.08	0.41	181.34	5.88	3.16
4 Irredeemables (5)	212.24	0.46	211.28	5.23	2.37
5 All stocks (51)	148.45	0.20	148.16	3.32	3.95

	Low coupon yield May 14	Low May 13	Low Yr. ago	Medium coupon yield May 14	Medium May 13	Medium Yr. ago	High coupon yield May 14	High May 13	High Yr. ago
5 yrs	6.86	6.89	7.52	6.93	6.95	7.56	6.98	7.01	7.65
15 yrs	7.02	7.05	8.23	7.04	7.08	8.24	7.04	7.08	8.34
20 yrs	7.07	7.10	8.31	7.05	7.09	8.24	7.05	7.08	8.38
Irred.†	7.21	7.24	8.37						

Index-linked	Wed May 14	Day's change %	Tue May 13	Accrued interest	xd adj. ytd
6 Up to 5 years (2)	205.28	0.07	205.14	0.71	3.03
7 Over 5 years (10)	198.25	0.26	197.73	1.08	2.86
8 All stocks (12)	197.92	0.24	197.44	1.04	2.86

	Inflation 5% May 14	May 13	Yr. ago	Inflation 10% May 14	May 13	Yr. ago
Up to 5 yrs	3.24	3.26	2.88	2.65	2.66	1.36
Over 5 yrs	3.52	3.54	3.79	3.33	3.35	3.60

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	May 14	May 13	May 12	May 9	May 8	Yr ago	High*	Low*
Govt. Secs. (UK)	97.51	97.23	96.57	97.20	96.59	92.27	97.51	93.31
Fixed Interest	121.39	121.02	121.24	119.87	119.29	111.85	121.39	115.32

Gilt Edged Activity Indices

	May 13	May 12	May 9	May 8	May 7
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until the end of May.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on May 14

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

Emerging market currencies suffer

MARKETS REPORT

By Simon Kuper

Most emerging markets currencies around the world fell yesterday, hit by the troubles of the Thai baht and by the forecast rise in Japanese interest rates.

Mr Avinash Persaud, currency strategist at J.P. Morgan, said many investors were now paying back the yen which they had borrowed at low interest rates in the last two years. They had been using the money chiefly to buy high-yielding currencies such as the dollar, the baht, the South African rand and the Czech koruna. The baht led yesterday's plunge, hit by Thailand's growing current account deficit and fears for the Thai financial system. Several Asian central banks intervened jointly to try to defend the currency.

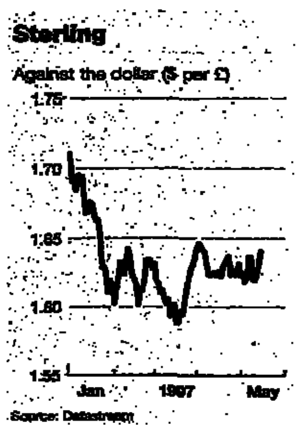
The D-Mark touched a one-year low against the yen on leaks of a large expected German tax shortfall, as well as the prospects of a Japanese rate rise. Belief that Germany is content with a weak D-Mark was reinforced when several Bundesbank council members said they were happy with the present dollar/D-Mark rate of about DM1.70. Mr Johann Wilhelm Gaddum, the bank's vice president, said there was no need to have concerns about the dollar now. He also said the planned single European currency might be less stable than the D-Mark. The German currency dropped Y0.54 against the yen to Y69.58.

The D-Mark's decline against the dollar was a more modest 0.4 pfennigs to DM1.701. The dollar fell Y0.7 against the yen to Y118.3 as US producer prices for April registered their biggest drop since August 1993. That was seen to reduce chances of a Federal Reserve rate rise on Tuesday. But Mr Jesper Dannesboe, currency analyst at ABN-Amro in London, warned that with most traders expecting no rate move, the dollar could surprise the markets. The currency received little help from a fall in Japan's current account surplus for March. Most economists think the surplus will widen further.

The pound rose on a stronger than expected fall in April UK jobless figures, and on growing prospects for rate rises following Tuesday's hawkish Bank of England Inflation Report. Only tame average earnings data blocked the pound. It gained 0.9 cents against the dollar and 2 pfennigs against the D-Mark to close in London at $1.641 and DM2.790 respectively.

■ Pound in New York

May 14	---Latest---	-- Prev. close --
£ spot	1.6435	1.6335
1 mth	1.6427	1.6327
3 mth	1.6411	1.6310
1 yr	1.6343	1.6240



Source: Datastream

■ It was the first known coordinated defence of a south east Asian currency: the Thai and Singaporean central banks, and allegedly those of Malaysia and Hong Kong too, united yesterday to prop up the baht.

Yet the currency fell to its lowest level this decade, dropping from Bt25.915 to the dollar on Tuesday to close at Bt26.30. That was Bt0.42 outside the trading limit normally maintained by the Bank of Thailand.

However, forex strategists said Thailand would withstand pressures to devalue, thanks largely to a network of bilateral repurchase agreements between several south east Asian states to defend each other's currencies. Thailand says the agreements give it access to an extra $40bn to $50bn, on top of its own forex reserves of nearly $40bn.

The baht dragged down the Malaysian ringgit, the Indonesian rupiah, the South African rand and eastern European currencies.

Mr Persaud said the forecast rise in Bank of Japan interest rates was making the markets more risk averse. They were retreating from high yielding, volatile currencies, particularly from those with large current account deficits. But he said Japan may raise rates less quickly than some in the market think.

Mr Persaud and Mr David Simmonds, emerging markets economist at Citibank in London, forecast further attacks on the struggling Czech koruna. "Were the Thai to go, then players rich with the pickings will enter 'where next' mode," said Mr Simmonds. He noted that immediately after the Mexican peso crisis of 1994, emerging markets players had attacked the Hong Kong dollar. But Mr Richard Gray, emerging markets analyst at Bank of America in London, said: "The central bank defence pacts aren't there yet in eastern Europe, but there's no reason why they shouldn't be."

■ OTHER CURRENCIES

May 14	£	$
Czech Rp	50.7449 - 50.8251	30.9420 - 30.9720
Hungary	296.660 - 296.923	180.890 - 180.940
Iran	4923.00 - 4920.00	3000.00 - 3000.00
Kuwait	0.4964 - 0.4969	0.3027 - 0.3028
Poland	5.1644 - 5.1708	3.1490 - 3.1510
Russia	9444.76 - 9453.80	5759.00 - 5761.00
U.A.E.	6.0234 - 6.0277	3.6728 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

May 14		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.6356	+0.1416	239 - 472	19.6863	19.4463	19.5821	3.3	19.4941	2.9	-	-	103.2
Belgium	(BFr)	57.5980	+0.4325	476 - 483	57.7300	57.0270	57.443	3.2	57.128	3.3	55.698	3.3	103.0
Denmark	(DKr)	10.6235	+0.0771	182 - 288	10.6505	10.4907	10.598	2.9	10.5455	2.9	10.324	2.8	105.7
Finland	(FM)	8.4165	+0.0863	078 - 252	8.4320	8.3400	-	-	-	-	-	-	82.1
France	(FFr)	9.3989	+0.0703	956 - 021	9.4220	9.3001	9.3747	3.1	9.3268	3.1	9.1042	3.1	106.0
Germany	(DM)	2.7898	+0.0201	882 - 913	2.7992	2.7609	2.7822	3.3	2.7662	3.4	2.6959	3.4	104.5
Greece	(Dr)	445.822	+3.969	604 - 040	447.234	439.706	-	-	-	-	-	-	65.0
Ireland	(I£)	1.0777	+0.0019	763 - 791	1.0811	1.0724	1.0778	-0.1	1.0768	0.3	1.0698	0.7	99.0
Italy	(L)	2746.90	+6.94	546 - 835	2757.86	2739.46	2748.6	-0.7	2750	-0.5	2753.85	-0.3	76.5
Luxembourg	(LFr)	57.5980	+0.4325	476 - 483	57.7300	57.0270	57.443	3.2	57.128	3.3	55.698	3.3	103.0
Netherlands	(Fl)	3.1382	+0.0231	368 - 396	3.1461	3.1060	3.1297	3.3	3.1117	3.4	3.0336	3.3	102.7
Norway	(NKr)	11.5582	+0.1016	497 - 666	11.5738	11.4091	11.5277	3.2	11.4682	3.1	11.2222	2.9	98.5
Portugal	(Es)	280.567	+1.961	440 - 693	281.191	277.915	280.417	0.6	280.042	0.7	-	-	94.1
Spain	(Pta)	235.592	+1.496	438 - 746	236.050	233.420	235.432	0.8	234.992	1.0	232.237	1.4	77.8
Sweden	(SKr)	12.4778	-0.0368	678 - 877	12.5938	12.4694	12.4563	2.1	12.4083	2.2	12.2143	2.1	84.5
Switzerland	(SFr)	2.3632	+0.0186	616 - 647	2.3732	2.3410	2.3538	4.7	2.3347	4.8	2.2508	4.8	104.3
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.3
Ecu	-	1.4311	+0.009	303 - 318	1.4338	1.4169	1.4284	2.2	1.4225	2.4	1.3954	2.5	-
SDR†	-	1.172653	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6402	+0.0085	397 - 407	1.6417	1.6297	-	-	-	-	-	-	-
Brazil	(R$)	1.7511	+0.0096	504 - 518	1.7538	1.7412	-	-	-	-	-	-	-
Canada	(C$)	2.2733	+0.0095	722 - 744	2.2756	2.2599	2.267	3.3	2.2556	3.1	2.2138	2.6	84.3
Mexico	(New Peso)	12.9438	+0.0434	314 - 557	12.9557	12.8933	-	-	-	-	-	-	-
USA	($)	1.6405	+0.0086	400 - 410	1.6420	1.6300	1.6397	0.6	1.6381	0.6	1.6322	0.5	103.1
Pacific/Middle East/Africa													
Australia	(A$)	2.1085	+0.0089	072 - 098	2.1098	2.0943	2.1079	0.3	2.108	0.5	2.0959	0.6	98.0
Hong Kong	(HK$)	12.6908	+0.0595	861 - 954	12.7025	12.6178	12.6848	0.6	12.6742	0.5	12.6395	0.4	-
India	(Rs)	58.7792	+0.3	202 - 381	58.8381	58.4390	-	-	-	-	-	-	-
Israel	(Shk)	5.5693	+0.0155	626 - 760	5.5760	5.5447	-	-	-	-	-	-	-
Japan	(Y)	194.112	-0.084	012 - 212	194.860	192.640	193.052	6.6	191.042	6.3	182.227	6.1	128.0
Malaysia	(M$)	4.1378	+0.0303	353 - 402	4.1415	4.1035	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3582	+0.0093	563 - 601	2.3601	2.3437	2.358	0.1	2.359	-0.1	2.3682	-0.3	114.3
Philippines	(Peso)	43.2682	+0.235	140 - 224	43.3224	43.2140	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1529	+0.0324	508 - 549	6.1582	6.1135	-	-	-	-	-	-	-
Singapore	(S$)	2.3555	+0.0109	539 - 570	2.3571	2.3380	-	-	-	-	-	-	-
South Africa	(R)	7.3527	+0.0638	480 - 574	7.3574	7.2658	-	-	-	-	-	-	-
South Korea	(Won)	1464.15	+7.27	960 - 870	1468.70	1459.67	-	-	-	-	-	-	-
Taiwan	(T$)	45.5485	+0.2224	936 - 034	45.6034	45.2862	-	-	-	-	-	-	-
Thailand	(Bt)	42.5710	+0.2493	760 - 660	43.6680	42.2330	-	-	-	-	-	-	-

† Rates for May 13. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

May 14		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	11.9693	+0.0237	658 - 727	12.0220	11.9300	11.9468	2.3	11.8991	2.4	11.6493	2.7	103.1
Belgium	(BFr)	35.1100	+0.08	900 - 300	35.2500	34.9750	35.035	2.6	34.88	2.6	34.14	2.8	103.0
Denmark	(DKr)	6.4758	+0.0132	745 - 770	6.5020	6.4568	6.464	2.2	6.4393	2.3	6.3273	2.3	105.3
Finland	(FM)	5.1305	+0.0136	267 - 342	5.1535	5.1144	5.1185	2.8	5.0942	2.8	4.985	2.8	81.8
France	(FFr)	5.7293	+0.0129	290 - 295	5.7522	5.7069	5.7176	2.4	5.6949	2.4	5.5798	2.6	105.6
Germany	(DM)	1.7006	+0.0034	001 - 010	1.7085	1.6909	1.6969	2.6	1.6892	2.7	1.6522	2.8	104.3
Greece	(Dr)	271.760	+1	710 - 810	272.970	269.510	272.645	-3.9	274.185	-3.6	280.46	-3.2	64.9
Ireland	(I£)	1.5222	+0.0052	207 - 237	1.5237	1.5120	1.5215	0.5	1.521	0.3	1.5177	0.3	-
Italy	(L)	1674.43	-4.57	406 - 480	1685.72	1674.06	1676.33	-1.4	1679.03	-1.1	1681.31	-0.4	76.0
Luxembourg	(LFr)	35.1100	+0.08	900 - 300	35.2500	34.9750	35.035	2.6	34.88	2.6	34.14	2.8	103.0
Netherlands	(Fl)	1.9130	+0.0041	127 - 132	1.9238	1.9020	1.9089	2.6	1.9003	2.7	1.8599	2.8	102.8
Norway	(NKr)	7.0455	+0.0251	425 - 485	7.0851	7.0174	7.0282	2.9	7.0027	2.4	6.877	2.4	98.2
Portugal	(Es)	171.025	+0.3	000 - 050	171.700	170.980	171.01	0.1	170.945	0.2	169.635	0.8	94.7
Spain	(Pta)	143.610	+0.16	560 - 660	144.200	143.100	143.61	0.0	143.533	0.2	142.275	0.9	77.5
Sweden	(SKr)	7.6061	-0.0625	023 - 098	7.7111	7.6023	7.5967	1.5	7.5761	1.6	7.4816	1.6	83.6
Switzerland	(SFr)	1.4405	+0.0038	400 - 410	1.4486	1.4338	1.4356	4.0	1.4259	4.1	1.3801	4.2	104.2
UK	(£)	1.6405	+0.0086	400 - 410	1.6420	1.6300	1.6397	0.6	1.6381	0.6	1.6322	0.5	98.4
Ecu	-	1.1464	-0.0012	461 - 466	1.1480	1.1420	1.1479	-1.5	1.1512	-1.7	1.1668	-2.0	-
SDR†	-	0.72185	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0001	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0674	+0.0002	673 - 675	1.0691	1.0675	-	-	-	-	-	-	-
Canada	(C$)	1.3858	-0.0014	855 - 860	1.3888	1.3849	1.3828	2.6	1.3773	2.5	1.3583	2.0	84.1
Mexico	(New Peso)	7.8900	-0.015	850 - 950	7.8950	7.8850	7.9985	-16.5	8.2	-15.7	9.185	-16.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	104.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2853	-0.0013	849 - 857	1.2857	1.2841	1.2857	-0.4	1.2858	-0.2	1.2848	0.0	98.1
Hong Kong	(HK$)	7.7359	-0.0044	354 - 364	7.7402	7.7354	7.7369	-0.2	7.7383	-0.1	7.7484	-0.2	-
India	(Rs)	35.8300	-0.005	050 - 550	35.8550	35.8050	35.92	-3.0	36.205	-4.2	34.01	5.1	-
Israel	(Shk)	3.3949	-0.0084	918 - 979	3.4024	3.3918	-	-	-	-	-	-	-
Japan	(Y)	118.325	-0.675	300 - 350	119.150	118.130	117.77	5.6	116.665	5.6	111.765	5.5	128.4
Malaysia	(M$)	2.5223	+0.0053	215 - 230	2.5260	2.5173	2.5246	-1.1	2.5287	-1.0	2.5456	-0.9	-
New Zealand	(NZ$)	1.4375	-0.0019	368 - 382	1.4382	1.4366	1.4383	-0.7	1.4407	-0.9	1.4508	-0.9	-
Philippines	(Peso)	26.3750	+0.005	500 - 000	26.4000	26.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	505 - 507	3.7507	3.7505	3.7508	-0.1	3.7513	-0.1	3.7542	-0.1	-
Singapore	(S$)	1.4358	-0.0009	353 - 363	1.4375	1.4320	1.4342	1.4	1.4301	1.6	1.4083	1.9	-
South Africa	(R)	4.4820	+0.0155	805 - 835	4.4880	4.4630	4.5215	-10.6	4.599	-10.4	4.897	-9.3	-
South Korea	(Won)	892.500	-0.25	000 - 000	895.000	890.000	-	-	-	-	-	-	-
Taiwan	(T$)	27.7850	-0.01	400 - 900	27.7900	27.7400	27.7657	0.0	27.767	0.0	27.7713	0.0	-
Thailand	(Bt)	25.9500	+0.016	000 - 000	26.6000	25.9000	26.0113	-2.8	26.135	-2.9	26.705	-2.9	-

† SDR rate per $ for May 13. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices May 13: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

May 14	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3 3/16	3 3/16	3 1/4	3 9/32	3 11/32	6.00	2.50	-
France	3 1/4	3 1/4	3 11/32	3 3/8	3 1/2	3.10	-	4.75
Germany	3 1/8	3 1/8	3 1/8	3 3/16	3 5/16	4.50	2.50	3.00
Ireland	6 1/4	6 1/4	6 1/4	5 13/16	5 13/16	-	-	6.75
Italy	7 1/2	6 7/8	6 13/16	6 3/4	6 5/8	8.25	6.75	7.34
Netherlands	3 7/32	3 1/8	3 1/8	3 1/4	3 3/8	-	3.00	3.30
Switzerland	1 5/8	1 1/2	1 3/4	1 13/16	1 13/16	-	1.00	-
US	5 1/2	5 5/8	5 13/16	6 1/16	6 3/8	-	5.00	-
Japan	1/2	17/32	9/16	5/8	7/8	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 11/16	5 13/16	6	6 1/4	-	-	-
US Dollar CDs	-	5.50	5.61	5.72	5.99	-	-	-
ECU Linked Ds	-	4 1/8	4 1/8	4 1/8	4 1/4	-	-	-
SDR Linked Ds	-	3 1/2	3 5/8	3 3/4	3 29/32	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

May 14	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3 1/4 - 3 1/4	3 1/8 - 3 3/32	3 1/4 - 3 1/8	3 5/16 - 3 3/16	3 11/32 - 3 1/4	3 7/16 - 3 11/32
Danish Krone	3 23/32 - 3 11/32	3 9/16 - 3 1/2	3 5/8 - 3 1/2	3 5/8 - 3 1/2	3 11/16 - 3 17/32	3 15/16 - 3 13/16
German Mark	3 1/8 - 2 15/16	3 1/4 - 3 3/32	3 1/8 - 3 1/32	3 3/16 - 3 1/16	3 7/32 - 3 1/8	3 11/32 - 3 7/32
Dutch Guilder	3 3/16 - 3 1/8	3 9/32 - 3 1/16	3 1/4 - 3 1/8	3 1/4 - 3 1/8	3 7/16 - 3 11/32	3 17/32 - 3 13/32
French Franc	3 7/32 - 3 1/8	3 9/32 - 3 1/16	3 3/16 - 3 3/16	3 3/8 - 3 5/16	3 7/16 - 3 11/32	3 1/2 - 3 3/8
Portuguese Esc.	5 3/4 - 5 31/32	5 29/32 - 5 23/32	5 23/32 - 5 19/32	5 13/16 - 5 17/32	5 7/16 - 5 13/16	5 13/16 - 5 3/8
Spanish Peseta	5 13/16 - 5 13/16	5 11/16 - 5 7/32	5 3/16 - 5 5/32	5 7/32 - 5 3/32	5 3/8 - 5 1/16	5 7/16 - 5 1/8
Sterling	6 5/16 - 6 1/4	6 1/4 - 6 1/8	6 3/32 - 6 1/4	6 13/32 - 6 3/8	6 5/8 - 6 9/16	6 29/32 - 6 27/32
Swiss Franc	1 3/4 - 1 5/8	1 11/16 - 1 7/16	1 3/4 - 1 1/2	1 25/32 - 1 21/32	1 27/32 - 1 23/32	1 29/32 - 1 25/32
Canadian Dollar	3 1/16 - 2 7/8	3 1/8 - 2 15/16	3 1/8 - 3	3 5/16 - 3 3/16	3 5/8 - 3 15/32	4 3/16 - 4 1/16
US Dollar	5 5/16 - 5 7/16	5 5/8 - 5 1/2	5 21/32 - 5 9/16	5 13/16 - 5 23/32	5 31/32 - 5 7/8	6 7/16 - 6 1/8
Italian Lira	7 7/8 - 6 7/8	7 3/32 - 6 13/32	6 13/32 - 6 27/32	6 27/32 - 6 23/32	6 3/4 - 6 21/32	6 5/8 - 6 17/32
Japanese Yen	1/2 - 15/32	17/32 - 1/2	0 9/16 - 0 5/16	0 1/2 - 0 13/32	0 9/16 - 0 15/32	0 3/4 - 0 21/32
Asian $Sing	3 5/8 - 3 1/2	3 5/8 - 3 1/2	3 9/16 - 3 1/2	3 9/16 - 3 7/16	3 9/16 - 3 7/16	3 11/16 - 3 9/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF)Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.54	96.56	+0.05	96.58	96.52	33,591	53,233
Sep	96.57	96.60	+0.03	96.61	96.57	23,527	56,627
Dec	96.54	96.56	+0.02	96.58	96.53	11,680	37,238

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.81	96.81	+0.01	96.82	96.80	10611	232656
Sep	96.75	96.76	+0.01	96.78	96.75	16337	208179
Dec	96.63	96.65	+0.02	96.66	96.62	23839	238800
Mar	96.51	96.54	+0.02	96.56	96.51	22690	192274

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
May	-	96.85	-	-	-	0	4092
Jun	-	96.83	-	-	-	0	1425
Jul	-	96.82	-	-	-	0	300
Aug	-	96.81	-	-	-	0	5

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.22	93.33	+0.11	93.35	93.22	35391	106444
Sep	93.54	93.67	+0.13	93.68	93.54	19198	86339
Dec	93.69	93.81	+0.12	93.82	93.69	12619	54357
Mar	93.77	93.87	+0.12	93.88	93.77	4687	33798

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.19	98.20	+0.02	98.22	98.17	4232	48757
Sep	98.18	98.19	+0.01	98.22	98.16	2232	39327
Dec	98.03	98.06	+0.01	98.06	98.03	287	25527
Mar	97.93	97.96	+0.01	97.97	97.93	223	10405

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.33	-0.01	-	-	0	n/a
Sep	-	99.13	-0.01	-	-	0	n/a
Dec	-	98.92	-0.02	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.86	95.86	+0.01	95.86	95.84	549	7434
Sep	95.86	95.88	+0.01	95.86	95.84	708	5774
Dec	95.80	95.82	+0.03	95.81	95.79	191	5659
Mar	95.72	95.74	+0.03	95.74	95.71	442	3285

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.17	0.54	0.72	0.09	0.12	0.16
9350	0.06	0.36	0.54	0.23	0.19	0.23
9375	0.01	0.21	0.38	0.43	0.29	0.32

Est. vol. total, Calls 10585 Puts 3215. Previous day's open int., Calls 155755 Puts 77324

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

May 14		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.44	16.32	4.844	1.871	4769	5.449	20.07	487.1	409.0	21.66	4.103	1.736	3.947	2.848	337.0	2.484
Denmark	(DKr)	54.22	10	8.847	2.626	1.014	2586	2.954	10.88	264.1	221.8	11.75	2.224	0.941	2.140	1.544	182.7	1.347
France	(FFr)	61.28	11.30	10	2.968	1.147	2923	3.339	12.30	298.5	250.7	13.28	2.514	1.064	2.419	1.745	206.5	1.523
Germany	(DM)	20.65	3.808	3.369	1	0.386	984.6	1.125	4.143	100.6	84.45	4.473	0.847	0.358	0.815	0.588	69.58	0.513
Ireland	(I£)	53.44	9.857	8.721	2.589	1	2549	2.912	10.72	260.3	218.6	11.58	2.193	0.928	2.109	1.522	180.1	1.328
Italy	(L)	2.097	0.387	0.342	0.102	0.039	100	0.114	0.421	10.21	8.577	0.454	0.086	0.036	0.083	0.060	7.067	0.052
Netherlands	(Fl)	18.35	3.385	2.995	0.889	0.343	875.3	1	3.683	89.40	75.07	3.976	0.753	0.319	0.724	0.523	61.85	0.456
Norway	(NKr)	49.83	9.191	8.132	2.414	0.932	2377	2.715	10	242.7	203.8	10.80	2.045	0.865	1.967	1.419	167.9	1.238
Portugal	(Es)	20.53	3.786	3.350	0.994	0.384	979.1	1.119	4.120	100	83.97	4.447	0.842	0.356	0.810	0.585	69.19	0.510
Spain	(Pta)	24.45	4.509	3.989	1.184	0.457	1166	1.332	4.906	119.1	100	5.296	1.003	0.424	0.965	0.696	82.39	0.607
Sweden	(SKr)	46.16	8.514	7.533	2.236	0.864	2201	2.515	9.263	224.9	188.8	10	1.894	0.801	1.822	1.315	155.6	1.147
Switzerland	(SFr)	24.37	4.496	3.977	1.181	0.456	1162	1.328	4.891	118.7	99.69	5.280	1	0.423	0.962	0.694	82.14	0.606
UK	(£)	57.60	10.62	9.399	2.790	1.078	2747	3.138	11.56	280.6	235.6	12.48	2.363	1	2.273	1.641	194.1	1.431
Canada	(C$)	25.34	4.673	4.134	1.227	0.474	1208	1.380	5.084	123.4	103.6	5.489	1.039	0.440	1	0.722	85.38	0.629
USA	($)	35.11	6.476	5.729	1.701	0.657	1674	1.913	7.046	171.0	143.6	7.606	1.441	0.610	1.386	1	118.3	0.872
Japan	(Y)	29.67	5.473	4.842	1.437	0.555	1415	1.617	5.954	144.5	121.4	6.428	1.217	0.515	1.171	0.845	100	0.737
Ecu	-	40.25	7.424	6.568	1.950	0.753	1920	2.193	8.077	196.1	164.6	8.720	1.651	0.699	1.589	1.146	135.6	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5910	0.5882	-0.0029	0.5928	0.5868	20,599	78,842
Sep	0.5920	0.5917	-0.0034	0.5922	0.5913	255	3,539
Dec	0.5952	0.5960	-0.0032	0.5960	0.5952	38	481

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6982	0.6937	-0.0048	0.7001	0.6929	16,535	41,724
Sep	0.7025	0.7005	-0.0050	0.7025	0.7005	160	2,443
Dec	0.7080	0.7105	-0.0026	0.7105	0.7080	10	440

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8480	0.8465	-0.0014	0.8510	0.8462	23,548	78,399
Sep	0.8585	0.8581	-0.0001	0.8620	0.8575	611	2,539
Dec	-	0.8695	-	-	0.8645	24	726

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6326	1.6414	+0.0086	1.6414	1.6358	11,369	38,295
Sep	1.6350	1.6356	+0.0054	1.6364	1.6344	80	1,058
Dec	-	1.6310	-	1.6350	-	3	110

UK INTEREST RATES

LONDON MONEY RATES

May 14	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 3/4 - 5 3/4	6 5/16 - 6 1/16	6 3/8 - 6 3/16	6 1/2 - 6 3/8	6 21/32 - 6 9/16	6 31/32 - 6 13/16
Sterling CDs	-	-	6 9/32 - 6 7/32	6 3/8 - 6 5/16	6 1/2 - 6 7/16	6 25/32 - 6 23/32
Treasury Bills	-	-	6 9/32 - 6 3/16	6 13/32 - 6 9/32	-	-
Bank Bills	-	-	6 7/32 - 6 5/32	6 13/32 - 6 9/32	6 9/16 - 6 7/16	-
Local authority deps.	6 1/8 - 6	6 1/8 - 6	6 1/4 - 6 7/32	6 7/16 - 6 5/16	6 21/32 - 6 19/32	6 31/32 - 6 29/32
Discount Market deps	6 1/4 - 6	6 1/8 - 6	-	-	-	-

UK clearing bank base lending rate 6 1/4 per cent from May 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2 1/2	5 1/2	5	5	4 3/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc. Ave. tender rate of discount on May 9, 6.1164pc. ECGD fixed rate Stlg. Export Finance. Make up day Apr 30, 1997. Agreed rate for period May 26, 1997 to Jun 24, 1997, Scheme III 7.71pc. Reference rate for period Mar 28, 1997 to Apr 30, 1997, Schemes IV & V 6.450pc. Finance House Base Rate 6 1/2pc from May 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.47	93.48	+0.02	93.48	93.45	11112	116999
Sep	93.22	93.25	+0.03	93.27	93.20	27411	109063
Dec	93.06	93.08	+0.01	93.09	93.03	35917	88080
Mar	92.96	92.98	+0.01	92.99	92.93	16226	60976
Jun	92.88	92.92	+0.02	92.93	92.86	4984	43892

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.24	0.14	0.14	0.01	0.14	0.31
9350	0.04	0.04	0.06	0.06	0.29	0.48
9375	0	0.01	0.02	0.27	0.51	0.69

Est. vol. total, Calls 2265 Puts 2050. Previous day's open int., Calls 179531 Puts 197566

EMS EUROPEAN CURRENCY UNIT RATES

May 14	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.798709	0.756711	-0.003174	-5.26	7.84	35
Portugal	197.398	196.973	+0.426	-0.22	2.39	1
Finland	5.85424	5.90286	+0.00407	0.83	1.33	-6
Spain	163.826	165.382	+0.205	0.95	1.21	-7
Italy	1906.48	1930.38	-4.15	1.25	0.90	-9
Denmark	7.34555	7.45925	+0.0139	1.55	0.61	-11
Netherlands	2.16979	2.20357	+0.00409	1.56	0.60	-12
Germany	1.92573	1.95940	+0.00394	1.75	0.41	-17
Austria	13.5485	13.7912	+0.0278	1.79	0.37	-13
Belgium	39.7191	40.4416	+0.0818	1.82	0.34	-13
France	6.45863	6.59865	+0.0101	2.17	0.00	-18
NON ERM MEMBERS						
Greece	295.269	312.558	+0.661	5.86	-3.48	-
UK	0.793103	0.701326	-0.006892	-11.57	15.54	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92: Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.620	1.55	2.16	2.61	0.11	0.88	1.45
1.630	0.79	1.57	2.10	0.41	1.29	1.87
1.640	0.32	1.10	1.63	0.92	1.82	2.41

Previous day's vol., Calls 842 Puts 760. Prev. day's open int., Calls 36,166 Puts 35,640

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
0.585	0.52	0.93	1.19	0.07	0.36	0.52
0.590	0.20	0.63	0.90	0.23	0.56	0.73
0.595	0.07	0.41	0.67	0.57	0.84	0.99

Previous day's vol., Calls 215 Puts 408. Prev. day's open int., Calls 27,233 Puts 41,825

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.08	94.11	+0.03	94.12	94.08	90,833	471,284
Sep	93.88	93.93	+0.05	93.94	93.89	109,032	434,164
Dec	93.66	93.72	-	93.73	93.67	153,862	329,178

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.73	94.75	+0.03	94.76	94.73	701	5,954
Sep	-	94.50	-	94.54	-	123	4,467
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9675	0.07	0.07	0.05	0.07	0.01	0.01	0.04	0.06
9700	0	0.01	0.01	0.01	0.19	0.20	0.25	0.25
9725	0	0	0	0	0.44	0.44	0.49	0.49

Est. vol. total, Calls 5451 Puts 7114. Previous day's open int., Calls 480655 Puts 276525

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9825	0.05	0.10	0.14	0.10	0.16	0.33
9850	0.01	0.08	0.05	0.31	0.34	0.49

Est. vol. total, Calls 0 Puts 100. Previous day's open int., Calls 1676 Puts 1840

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	Royal Bk of Scotland	6.25
Allied Irish Bank (GB)	6.25	Exeter Bank Limited	7.25	●Singer & Friedlander	6.25
●Henry Ansbacher	6.25	Financial & Gen Bank	7.00	●Smith & Williamson Secs	6.25
Bank of Baroda	6.25	●Robert Fleming & Co	6.25	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	TSB	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	United Bank of Kuwait	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Unity Trust Bank Plc	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.25	Western Trust	6.25
Bank of Scotland	6.25	●Hill Samuel	6.0	Whiteaway Laidlaw	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25	Yorkshire Bank	6.00
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25		
●Brown Shipley & Co Ltd	6.25	Investec Bank (UK) Ltd	6.25		
Citibank NA	6.25	Julian Hodge Bank	6.25		
Clydesdale Bank	6.25	●Leopold Joseph & Sons	6.25		
The Co-operative Bank	6.25	Lloyds Bank	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Matif to cease potato trades

By Andrew Jack in Paris

The Matif, the Paris-based futures exchange, yesterday announced that it would close down its potato contracts because of declining interest in the market.

The move narrows the exchange's range of commodities products. The contract which matures on May 27 will be the last, and discussions for contracts expiring in November and December this year, which had been suspended during February, have been abandoned.

A market for potato futures in France was created in the northern city of Lille in 1984. It transferred to the Matif after the exchange's creation in 1988 and shifted to Paris in 1993.

From a recent peak of 134 average daily trades in 1994, the volume had declined to just 20 transactions a day during the first few months of this year.

The Bintje potato brand, which was the underlying product on which the futures contract was based, has also declined in importance over the past few years. It has fallen from between 60 per cent and 70 per cent of the market four years ago to no more than 30 per cent today.

At the end of last year, one of the few remaining brokers operating in the Paris market also ceased trading in the contracts, reducing the number of those still involved to three and creating an increasingly illiquid market.

Matif said that in addition, there was a "financial risk" of continuing to operate in a speculative market for intermediaries and the clients which remained, which often had a very limited capital base.

The potato closure comes after the coffee futures market was shut down in 1994. The cocoa market also no longer operates.

However, Matif continues to maintain its interest in commodities, with three contracts now trading – including two opened within the past three years.

It opened a contract for rapeseed in late-1994 and last year created a contract for wheat futures. It also operates a white sugar contract. Officials stressed yesterday that all three contracts would be maintained.

In addition, Matif continues to study the potential for operating new commodities contracts as demand increases, notably where there are prospects of increasing price fluctuations for those goods formerly regulated by the European Union's Common Agricultural Policy.

However, commodities represent a small proportion of Matif's total business, which is concentrated on financial interest rate and currency products.

Silver supply gap set to widen, report says

By Kenneth Gooding, Mining Correspondent

The silver market is moving in the direction of a genuine tightening of supply, according to the latest World Silver Survey, published yesterday.

The report, produced for the Washington-based Silver Institute, says 800m ounces, or 24,800 tonnes, of silver were drawn from stocks between 1991 and the end of last year because supply had not kept pace with demand.

It says identifiable silver stocks would be eliminated if the gap between supply and demand continued at the same level for another four years.

"But it would be simplistic to forecast that four years from now the silver market will run out of stocks with a resulting price boom," it points out. There are still substantial stocks of silver that cannot be identified, such as bars and coins held by private investors, mainly in the Middle East and the Indian sub-continent.

Nevertheless, the survey, sponsored by 28 silver miners, refiners, fabricators and bullion banks from nine countries, suggests there will be a point at which the fall in stocks begins to make a noticeable difference to the availability of silver to the market. "When this point is reached, shortages of physical metal begin to be more obvious to market participants, with silver being found to be unavailable in the quantities, qualities and locations required.

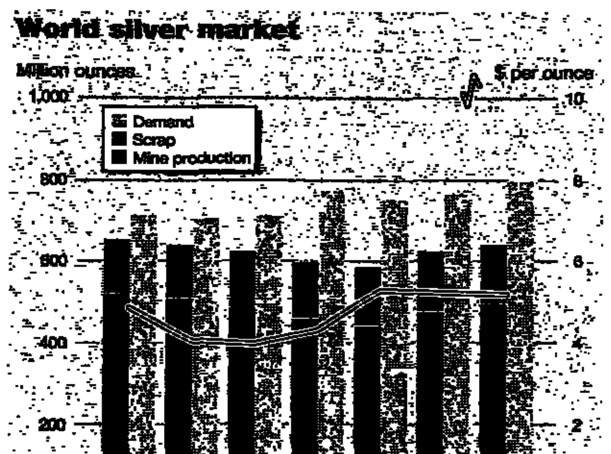
"It is abundantly clear that stocks of silver bullion are being steadily transformed into fabricated products and that, if the existing holders of the remaining stocks of bullion should choose to maintain rather than to dispose of their holdings, the only way that the market will achieve a balance between the other components of fabrication – mine production, scrap and official sector sales – is via a significant increase in the silver price."

This is the third survey of the world silver market produced for the institute by the Gold Fields Mineral Services consultancy. It suggests that the "gap" between fabrication demand (803.3m ounces last year) and the combined total of supply from mine production (492.6m ounces) and scrap (150.8m ounces) widened in 1996 to 160m ounces (nearly 5,000 tonnes) but was still below the record 180m ounces (5,600 tonnes) in 1993.

But, GFMS points out that, while these developments pointed to an improvement in silver's fundamental situation last year, "there was little evidence from the price to suggest investors were returning to the silver market". Indeed, said Mr Stewart Murray, GFMS chief executive, "it was a pretty uninspiring year for the silver price".

A big contributing factor was "the widespread view among investors, and in particular investment funds, that the action was to be found in other commodity markets or, even more so, in the stock market. For much of the year precious metals were effectively sidelined as far as the investment community was concerned".

World Silver Survey. The Silver Institute, 112 Sixteenth Street, NW, Suite 240, Washington DC 20036 (within the US) or from GFMS, Greencoat House, Francis Street, London SW1P 1DH, UK. US$70.



Source: World Silver Survey, 1997


There are still large stocks of silver held by private investors

Metals prices continue to ease

MARKETS REPORT

For the second successive day metal prices eased, taking a breather after recent strong gains on the London Metal Exchange. All LME prices closed slightly down last night. Zinc suffered the least with the price of metal for delivery in three months touching this year's peak of $1,340 a tonne before falling back slightly by the close.

Three-month copper was virtually unchanged from Tuesday's level at $2,416 a tonne even though initially it was given a price boost from a reported 2,825 tonnes fall in LME stocks.

"The copper market continues to confound most observers," said Mr Jim Lennon, analyst at Macquarie Equities, part of the Australian banking group. "There is less consensus among analysts on the outlook than for any other metal. Price forecast averages for 1997 and 1998 vary by more than 50 cents a pound ($1,102 a tonne) and the first half of the year is almost over."

Mr Lennon said the present low copper stocks made him bullish about the short term, "but the second half of the year remains a quagmire of uncertainty".

Mr Chris Green, chairman of Barclays Metals, in his latest Copper Letter, suggests that three-month copper might soon reach $2,500 a tonne. "But further price rises from these levels will be accompanied by a widening backwardation [premium for metal for immediate delivery] and thus a cash price likely to hit $2,600 before the month of June, if not May, is out."

The Silver Institute's suggestion that supply was tightening in the silver market caused little impact and the metal closed in London up 1 cent at $4.86 an ounce.

COMMODITIES NEWS DIGEST

Centrica agrees gas export deal

Centrica, the demerged gas trading and supply arm of the former British Gas, yesterday announced its first gas export contract to continental Europe. The company, which has been saddled with a substantial gas surplus as a result of the phased introduction of competition in the UK gas market, will sell up to 3bn cubic metres of gas to Thyssengas, of Germany, over a seven-year period.

The gas exports will begin as soon as the new interconnector linking the UK to continental Europe is completed towards the end of 1998. Export contracts totalling 48bn cubic metres of gas have been signed so far for the inter-connector, which will run from Bacton, on the Norfolk coast, to Zeebrugge in Belgium.

The signing of the latest gas export contract from the UK coincides with publication of a report which suggests that the interconnector will lead to a convergence of the widely different UK and continental European gas markets. Wood Mackenzie, the energy industry consultants, said convergence was likely to include a move in continental Europe to reduce the indexation link between gas and oil prices. It also predicts shorter timeframes for the "take or pay contracts" that are the norm in continental Europe. These require buyers to pay for gas even if market conditions mean it no longer needs the contracted amounts. *Robert Corzine*

Warning on unwanted beef

Stocks of unwanted beef in the European Union could rise to 1.5m tonnes by 2005 if the beef regime is not reformed, according to a European Commission report. The report said EU budget expenditure on beef was at a historically high level, both as a share of the total budget and in absolute terms. It gave a detailed analysis of the expected production and consumption of beef in the EU, which supports the push for reform of the common agriculture policy which Mr Franz Fischler, European agriculture commissioner, has been making. Proposals to reform the beef regime are due after the inter-governmental conference in June, and are due to be put in effect in 1999.

Annual net production of beef and veal in the EU is close to 8m tonnes, while consumption before the BSE crisis was about 7.5m tonnes. Per capita consumption has been gradually declining for many years, and had fallen to about 20kg before the UK government's revelation last year of a possible link between eating BSE-infected beef and Creutzfeldt-Jakob disease, the fatal human brain condition. That cut consumption to 18.6kg a head, with total EU consumption falling by 7 per cent in the year, or more than 500,000 tonnes. *Maggie Urry, London*

Approval for mine expansion

Chilean environmental authorities have approved the planned US$473m expansion of the Escondida copper mine, in which Australia's BHP has a 57.5 per cent stake and London-based RTZ-CRA holds 30 per cent. Work on the copper oxide leach project will start immediately, and first cathode production is scheduled for the end of 1998.

Meanwhile, the Queensland branch of the Australian Workers Union said that about 500 BHP employees would stop work today, in protest at the company's cuts in its Australian steel operations. *Nikki Tait, Sydney*

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1628.5-29.5	1656-57
Previous	1640.5-41.5	1667-8
High/low		1670/1650
AM Official	1624-24.5	1650-50.5
Kerb close		1655-56
Open int.	277,672	
Total daily turnover	41,468	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1492-95	1515-18
Previous	1495-500	1521-24
High/low		1520/1513
AM Official	1485-90	1513-17
Kerb close		1515-20
Open int.	5,592	
Total daily turnover	775	

■ LEAD ($ per tonne)

Close	607-8	618-9
Previous	613.5-4.5	625-6
High/low		624/615
AM Official	603-3.5	615-5.5
Kerb close		621.5-2.5
Open int.	36,357	
Total daily turnover	3,977	

■ NICKEL ($ per tonne)

Close	7615-25	7730-35
Previous	7660-70	7765-70
High/low		7770/7720
AM Official	7595-600	7710-15
Kerb close		7720-30
Open int.	na	
Total daily turnover	na	

■ TIN ($ per tonne)

Close	5660-70	5710-20
Previous	5670-80	5720-25
High/low		5735/5690
AM Official	5650-55	5705-10
Kerb close		5735-40
Open int.	15,898	
Total daily turnover	2,323	

■ ZINC, special high grade ($ per tonne)

Close	1314.5-15.5	1332-33
Previous	1316-7	1335.5-36
High/low	1309/1308	1340/1324
AM Official	1308.5-09	1327-28
Kerb close		1338-39
Open int.	91,911	
Total daily turnover	11,868	

■ COPPER, grade A ($ per tonne)

Close	2471.5-73.5	2415-16
Previous	2478-80	2419-20
High/low	2465	2427/2405
AM Official	2464-65	2409-10
Kerb close		2411-12
Open int.	140,155	
Total daily turnover	40,246	

■ LME AM Official £/$ rate: 1.6358

LME Closing £/$ rate: 1.6405

Spot: [illegible]

■ HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LIFFE (100 tonnes; £ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LIFFE (20 tonnes; £ per tonne)

[illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

[illegible]

FUTURES DATA

All futures data supplied by CMS.

Nuts and seeds

[illegible]

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LIFFE (5 tonnes; $/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

[illegible]

■ CRB Futures (Base: 1967 = 100)

[illegible]

■ GSCI Spot (Base: 1970 = 100)

[illegible]

LME WAREHOUSE STOCKS (tonnes)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

[illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs)

[illegible]

■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jun	Sep	Jun	Sep
1600	52	94	12	33
1700	-	-	-	-
1800	2	16	158	151
■ COPPER (Grade A) LME	Jun	Sep	Jun	Sep
2300	163	120	3	58
2400	81	71	20	107
2500	28	38	67	172
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
1800	138	220	68	132
1850	110	195	90	157
1900	90	174	120	186
■ COCOA LIFFE	Jul	Sep	Jul	Sep
975	45	77	23	37
1000	32	63	35	48
1025	21	51	49	61
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1900	74	-	57	71
1950	49	-	-	-
2000	32	-	-	-

LONDON SPOT MARKETS

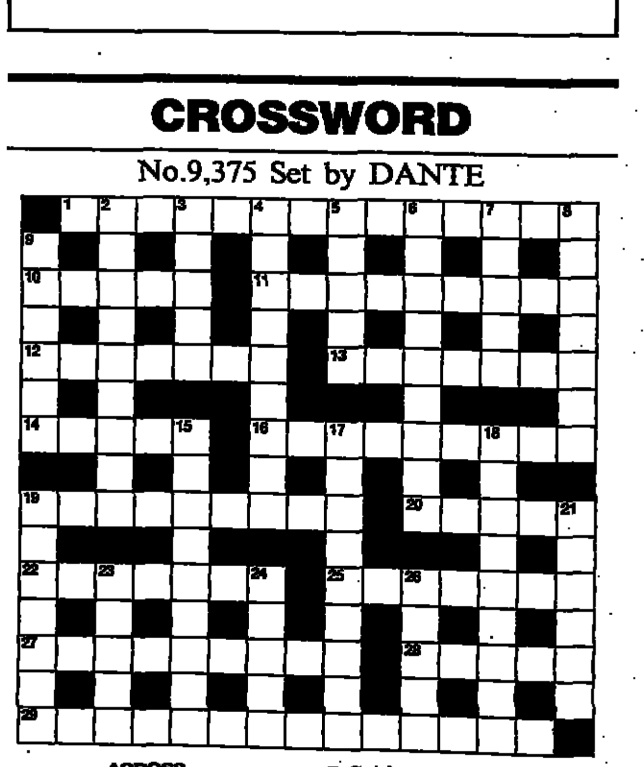
■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$18.17-8.34	-0.25
Brent Blend (dated)	$19.06-9.08	-0.33
Brent Blend (Jun)	$19.30-9.32	-0.24
W.T.I.	$20.88-0.93z	-0.315
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$210-212	
Gas Oil	$175-177	-2
Heavy Fuel Oil	$80-82	
Naphtha	$179-181	+2
Jet fuel	$189-191	-1.5
Diesel	$181-183	-2.5
■ NATURAL GAS (Pence/therm)		
Bacton (Jun)	11.4-11.6	
Petroleum Argus. Tel. London (0171) 359 8792		
IPE (Jun)	11.580	+0.075
■ OTHER		
Gold (per troy oz)‡	$348.35	+0.20
Silver (per troy oz)‡	485.00c	
Platinum (per troy oz.)	$394.00	+5.50
Palladium (per troy oz.)	$174.50	+4.50
Copper	119.0c	+1.0
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.19r	-0.26
Tin (New York)	267.5	-7.0
Cattle (live weight)	91.08p	+1.66*
Sheep (live weight)	143.14p	+4.42*
Pigs (live weight)†	108.38p	-3.12*
Lon. day sugar (raw)	$273.50	-0.90
Lon. day sugar (wte)	$322.50	+0.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£108.00	
Wheat (US Dark North)	Unq	
Rubber (Jun)♥	71.00p	+0.25
Rubber (Jul)♥	71.00p	+0.25
Rubber (KL RSS No1)	272.5x	+1.0
Coconut Oil (Phil)§	685.0y	
Palm Oil (Malay.)§	560.0z	+2.5
Copra (Phil)§	$432.5y	-2.5
Soyabeans (US)	224.0	-1.0
Cotton Outlook'A' index	73.25c	
Wooltops (64s Super)	410p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y May/Jun♥ z Jun London Physical. § CIF Rotterdam. ‡ Bullion market [illegible]

JOTTER PAD

CROSSWORD

No.9,375 Set by DANTE



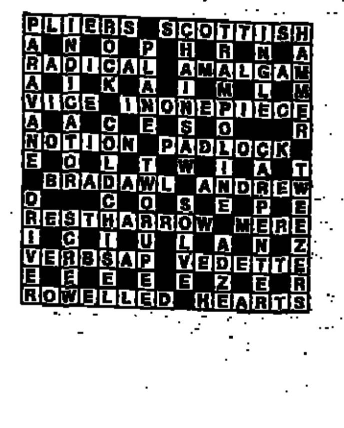
ACROSS

1 Best before dates? (3,4,3,4)
10 It's used for turning a French article into an English one (5)
11 Famous statesman badly led by the clergy (9)
12 The tube for below-surface travel (7)
13 Points he can alter and improve (7)
14 Rents and rates revised (5)
16 Servant, a sober worker, receives a tip (9)
19 Running away to join up? (9)
20 Straighten robes, like a judge (5)
22 Man on the make (7)
25 A bitter brew that might go to father's head (7)
27 It teaches fashion in accordance with good taste (9)
28 He buzzes, but not with energy (5)
29 Chatter-box? (9,5)

DOWN

2 Top hat too fancy? It's a controversial issue (3,6)
3 Incomprehensible language? (5)
4 It's a cello arrangement for swing (9)
5 Round electrical safety device that's employable (2,3)
6 Elaborate passes for ordi- [illegible]
7 Get into a row (5)
8 Striking entails disruption (7)
9 Shut a tin-opener in a cupboard (6)
15 Turkish bath that flouts union regulations? (5,4)
17 Odd pair of stamps sought by philatelists (4-5)
18 You could be unlucky to shoot such a score, of course (9)
19 Do some spelling, can then be qualified (7)
21 Gathered in study to hold exercises (6)
23 It supports the board needing a new lease (5)
24 Sense of proportion needed in arbitration (5)
26 Spoke in the plural? (5)

Solution 9,374



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Rothschild Asset Management - Contd.

GUERNSEY (REGULATED)(**)

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

Global Asset Management

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

AIG Asset Management Ltd

AON International Funds Plc

Argenta European Hedge Fund plc

Gordon House Asset Management Ltd

HSBC UK Equity Plus Plc

HSBC UK Equity Plus II Plc

HSBC UK Equity Plus III Plc

HSBC UK Equity Plus IV Plc

Rambros Fund Managers (Ireland) Ltd

Sellem Investment Mngt (Ireland) Ltd

Slager & Friedlander Closed Funds Plc

Societe Generale Group

Trainer Wortham & Company Inc

Ulster Bank Investment Services

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

Perpetual Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Scotland Fd Mgrs (Jersey) Ltd

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

هكذا من الأصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International (Ireland) Ltd

PO Box 121, St Peter Port, Guernsey 01481 726726

Old Mutual International (Isle of Man) Ltd

Victory Hse, Prospect Hill, Douglas, IoM 01624 683683

PanEuroLife société anonyme

36 Av Marie-Thérèse, Luxembourg 00 352 455730

Global Asset Management - Contd.

Jardine Fleming Unit Trusts Ltd - Contd.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INSURANCE - Cont.

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		£25	-⅛	*£31¼	£20¼	1,015	3.0	♦
Barlow	♣	£9¾	-⅛	£9¾	£5⅝	1,370	2.2	14.0
Gold Flds Prop R	†	138	-1	171½	120	14.1	6.5	10.3
SA Brews		£17⅞	-⅛	£24⅛	£13¾	5,234	2.3	♦
Standard Bank		£25⅞	+⅛	£30¼	£27	3,540	1.2	26.3
Tiger Oats	†	1045	—	1150	770	1,572	1.8	19.4
Tongaat-Hulett		769¼	—	1125	676¼	738.3	2.8	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of those foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
o Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
N Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1425 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT9660. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4678.
Reports published by ShareFinder.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.
Calls are charged at 50p per minute at all times.
An international service is available for callers outside the UK, annual subscription £250 stg.
Call 0171 873 4378 for more information on FT Cityline.
The share prices printed on these pages are also available on the internet at http//www.FT.com.

LONDON STOCK EXCHANGE

Footsie's 11-day rally ends in volatile trading

MARKET REPORT

By Philip Coggan, Markets Editor

The 11-day winning run of the FTSE 100 index finally came to an end yesterday. But not before a see-saw day that saw the market trade in a 55-point range.

A spot of profit-taking was probably inevitable after the market's phenomenal run, which has seen Footsie gain nearly 500 points since the start of April.

But the market did not go down without a fight. In the morning, it was supported by the UK average earnings numbers, which were revised down to an annual 4.5 per cent rise and eased fears of domestic inflationary pressures. Some 20 minutes after the data were released, the leading index hit its high of 4,715.2, just short of the all-time intraday record of 4,720.3.

However, the statistics were rather ambiguous, given that the large fall in unemployment suggested an exceedingly robust economy.

The currency markets seemed to have taken the figures as a sign that interest rates would have to rise: the pound gained a cent against the dollar and 2 pfgs against the D-Mark, a move that will not have helped equities.

Whether it was economics or just exhaustion, profit-takers seemed to step in, largely through the derivatives market, with traders positioning themselves for Friday's expiry of index options. A rapid retreat before lunch sent Footsie all the way down to its low for the day of 4,660.4, down 30.6.

However, in the afternoon, the US producer prices figures, which showed a 0.6 per cent month-on-month fall, received a rapturous response on Wall Street.

The Dow Jones Industrial Average moved sharply ahead as investors reasoned that the Federal Reserve's open market committee would not raise interest rates when it meets on May 20.

The Dow lost a little steam as trading in New York continued but it was still 52 points ahead when London closed.

It gave the UK market a lift and Footsie clawed back most of its losses, ending 4.1 down at 4,686.9.

The other main indices dropped back, with the FTSE 250 losing 3.7 to 4,259.3 and the SmallCap edging down 1.0 to 2,316.8.

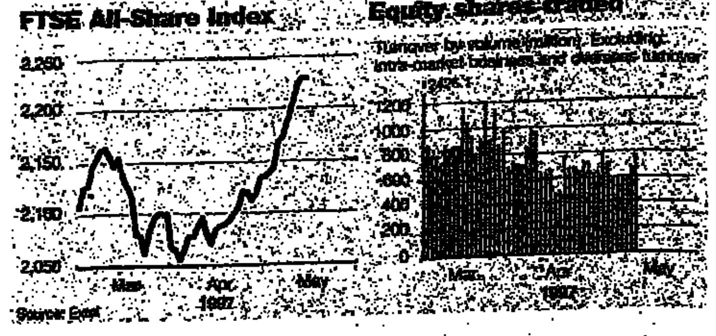
Although the market fell slightly on the day, it remained buoyed by investor liquidity. Mr Ian Williams, UK strategist at Panmure Gordon, says that "people who've got cash are desperate to get into the market. Our head of sales sees it as a sellers' strike."

Mr Stuart Fowler, head of UK equities at Kleinwort Benson Investment Management, is now expecting Footsie to hit 5,050 on a 12-month view.

He cites the high cash weightings being held by institutions, an expected fall in gilt yields because of the Labour party's pro-European attitude, the attraction of UK assets for overseas investors in the light of sterling's strength and the squeeze in the bank sector caused by the building society flotations.

Volume was 843.4m shares at the 6pm count, of which 50.9 per cent were in non-Footsie stocks.

FTSE All-Share Index / Equity shares traded



Indices and ratios

FTSE 100	4686.9	–4.1
FTSE 250	4529.3	–3.7
FTSE 350	2269.7	–1.9
FTSE All-Share	2228.79	–1.87
FTSE All-Share yield	3.45	3.45
FT 30	3017.3	–1.3
FTSE Non-Fins p/e	18.92	19.00
FTSE 100 Fut Jun	4705.0	0.0
10 yr Gilt yield	6.98	7.02
Long gilt/equity yld ratio	2.04	2.05

Best performing sectors

1 Retailers: Food ......+1.6
2 Transport ......+1.5
3 Engineering: Vehicles ......+1.3
4 Household Goods ......+1.1
5 Oil Exploration ......+1.1

Worst performing sectors

1 Insurance ......–1.7
2 Alcoholic Bev ......–1.6
3 Telecommunications ......–1.4
4 Paper: Pckg ......–1.0
5 Media ......–1.0

BA link hopes grow

By Joel Kibazo and Peter John

Hopes that British Airways' planned link with American Airlines will soon be cleared by the European Commission's competition authorities drove shares in the UK carrier sharply ahead.

The speculation followed news of the EC's clearance of the merger between BT and US group MCI. Shares in the airline rose 31 to 742½p, one of the day's best performers among FTSE 100 constituents. Turnover was 5.1m.

Sentiment in the stock was further boosted by the expansion of the 'Star' alliance between five international airlines. One analyst said: "I think we are now into the next era of consolidation in the airline industry. British Airways is well placed to meet the challenge of any such consolidation, particularly if the deal with American Airlines is cleared."

Dealers also reported demand for the stock ahead of Monday's full-year figures. UBS, the group's broker, is predicting profits will come in at around £620m and earnings per share of 46.5p for the year to March 1997.

While BT welcomed the well-flagged clearance by European Commission regulators of its $20bn merger with MCI, dealers in the stock saw the opportunity for profit-taking. The shares surrendered 3 to 449½p, in busy trade of 11m.

Shares in food retailer Safeway surged ahead, gaining 23¼ or 7 per cent to 354¼p, after current trading data calmed the market's fears about the group's competitors pulling sharply ahead.

The group, which also published full-year profits of £420.6m, reported that like-for-like sales in value terms had grown 3.7 per cent in the first six weeks of the year, with total group sales ahead 7.9 per cent (adjusted for the different timing of Easter this year).

Rumours drove bank shares forward again, although there is a growing feeling that, with the sector looking highly valued, the desire to find stories that might encourage a bit of business is particularly strong.

Royal Bank of Scotland, mooted frequently as a takeover target, rose 7¼ to 657p while NatWest, left behind for a couple of days, lifted 12 to 810½p. However, **Abbey National** fell 22½ to 935p with Tuesday's tale that it might be snapped up by BAT Industries dying as quickly as it was born.

BAT, on the other hand, gained 6 to 547½p with sentiment helped by an operating profits boost from **Imperial Tobacco**, which closed 2 higher at 403½p.

And, back in the banking sector, HSBC was flat at £18.20p. HSBC has by far the biggest weighting in the sector and funds have been piling into it in order to raise their exposure ahead of the Halifax flotation.

But Mr Michael Franklin, an Asia specialist at HSBC James Capel, said UK funds are now looking to the bank's Hong Kong-quoted stock to get exposure. HSBC was up almost 3 per cent in Hong Kong yesterday.

Commercial Union fell 15¼ to 734p as first-quarter profits in line with forecasts belied a fall in new business sales in France, where the group derives much of its earnings.

And General Accident, which reported first-quarter results on Tuesday, slid 13 to 944½p. SBC Warburg moved its recommendation to "hold" from "add".

Select exploration and production stocks reflected the strength in the oil price and thoughts contained in a note from Merrill Lynch.

The US broker favours **Lasmo** – up 2¼ at 243½p, and **Hardy** – marginally firmer at 310½p, on the basis that they are the cheapest stocks in comparison with net asset values and have both emerged from restructuring with strengthened balance sheets.

However, Merrill warns that the sector looks vulnerable to a correction because of sterling's strength, fading bid hopes and nervousness over oil prices.

The "what goes up must come down" factor appeared to strike media stocks.

Reuters shed 20 to 681½p as brokers noted that the shares had leapt 20.5 per cent in the past month and outperformed the broad market by 11.5 per cent.

Pearson, the media conglomerate that owns the Financial Times, was the worst performer in the FTSE 100 with a fall of 23½ to 722½p. It was one of the best performers on Monday.

Carlton Communications, sensitive to the strength of sterling, fell 15¼ to 522½p as the pound moved above $1.64.

On the plus side, a 39 per cent rise in profits helped lift **Scottish Radio** 8½ to 405p.

And the news of a new chief executive for **Capital Radio** saw the shares add 15 at 553½p.

If more proof were needed that a housing boom is under way, it was provided by news of takeover action among estate agents.

John D Wood, the upmarket central London house seller founded by John Daniel Wood in 1872 and floated under new ownership in 1987, saw its share price jump 20 to 140p. It announced late on Tuesday that it had received a bid approach.

Savills, its principal rival, closed 5 up at 129¼p and others within the sector, such as Hambros Countrywide and Bucknall, were also up on the day.

Transport and property group **P & O** appreciated 14 to 635p, with several brokers positive on the stock.

SBC Warburg is understood to have upgraded from "hold" to "buy" while Merrill Lynch is said to have turned buyer.

Reckitt & Colman improved 16 to 905p after the company said it expected the momentum of 1996 to continue this year.

The household products group told shareholders at its annual meeting that its performance remained robust.

Also, NatWest upgraded the stock to "buy" from "hold".

BOC added 2½ at 987p with NatWest stressing its "buy" stance following Tuesday's figures. The broker has maintained its current year forecast of £445m and its 1998 figure of £505m.

Cortecs International fell 28 to 240½p as analysts came away unconvinced by the company's claims of trial results for its osteoporosis treatment.

Versalite, the stained glass products group, made a sparkling debut in the market. The shares, placed at 3p, opened at a premium and ended the day at 4p.

Datrontech, the personal computer component distributor, plummeted 49¼ or 24 per cent to 160p after the company warned that a sharp slowdown in PC sales growth would hit its first-half results.

FT 30 INDEX

	May 14	May 13	May 12	May 9	May 8	Yr ago	*High	*Low
FT 30	3017.3	3014.3	3014.3	2960.3	2947.0	2812.6	3017.3	2668.8
Ord. div. yield	3.62	3.64	3.64	3.71	3.73	3.95	4.22	3.75
P/E ratio net	18.33	18.25	18.25	17.87	17.77	16.56	18.33	15.80
P/E ratio nil	18.14	18.06	18.06	17.68	17.59	16.33	18.14	15.71

FT 30 since compilation: high 3017.3 12/05/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3010.5	3019.2	3028.7	3028.2	3016.0	3001.3	3012.0	3019.0	3016.0	3030.0	2998.7

	May 14	May 13	May 12	May 9	May 8	Yr ago
SEAQ bargains	56,560	60,979	63,069	59,647	47,166	33,480
Equity turnover (£m)†	–	NA	2554.6	2675.2	2332.2	1860.1
Equity bargains†	–	NA	52,998	52,640	41,513	40,032
Shares traded (ml)†	–	NA	728.2	767.6	683.8	718.8

†Excluding intra-market and overseas turnover but including Crest turnover.
 *For 1997.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	641	Total Highs	146	Total contracts	63,039
Total Falls	787	Total Lows	66	Calls	34,973
Same	1,647			Puts	28,066

May 14 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4701.0	4707.0	+2.0	4730.0	4666.0	18771	72496
Sep	4732.0	4738.5	+2.0	4753.0	4712.0	296	3957
Dec	-	4783.5	+3.5	-	-	0	320

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4537.0	4537.0	-23.0	4537.0	4537.0	265	6261

■ FTSE 100 INDEX OPTION (LIFFE) (*4695) £10 per full index point

[illegible]

Calls 15,636 Puts 5,228

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4525 C	4525 P	4575 C	4575 P	4625 C	4625 P	4675 C	4675 P	4725 C	4725 P	4775 C	4775 P	4825 C	4825 P	4875 C	4875 P
May	171½	1	122	1	76	5	31	10½	8½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	204½	23½	164	33	127	45½	94	62	66	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	236½	39	197½	50	161½	63	129	80	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	261	72			211½	100½			151	[illegible]			[illegible]	[illegible]		
Dec†	349	100			281	128			221½	[illegible]			[illegible]	[illegible]		

Calls 10,984 Puts 15,731 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,568	655	532½	Alliance & Leic	613	+11	L16.3	2.5	3.3	15.1
§	F.P.	104.8	1200	912½	Aston Villa	915	-22½	R8.8	1.8	1.2	50.3
§100	F.P.	25.0	101	99	Aurora Inv Trust	100	-1	-	-	-	-
-	F.P.	4,282	306½	284	Cable & Wireless	287½	-1	-	-	-	-
§40	F.P.	12.8	65	54½	†Charlton Athltc	57½		-	-	-	-
	F.P.	38.0	95	95	Close Bros Pr VCT	95		-	-	-	-
§130	F.P.	16.3	150½	132½	†Comino	147½		2.25	4.6	1.9	13.8
§	F.P.	13.0	86½	70½	Donatantonio	86		0.5	Φ	0.7	Φ
-	F.P.	12.6	127½	122½	†Dragons Hlth Clbs	125½		-	-	-	23.7
§175	F.P.	24.6	212½	198	Heal's	202½	-8	L3.9	3.1	2.4	14.8
§	F.P.	7.18	164½	160	†ITG	160		-	-	-	-
§110	F.P.	5.17	130½	122½	†Lady in Leisure	124½	-2	b-	-	-	-
§	F.P.	3.89	117½	112½	Longbridge Intl	117½		-	-	-	16.4
-	F.P.	176.4	99½	97½	Mrtn Currie I&G Inc	98		M7.4	-	9.4	-
-	F.P.	6.16	93½	87½	Do Cap	91½		-	-	-	-
50	F.P.	19.6	54½	47½	†NMT	50		-	-	-	-
§135	F.P.	174.0	144½	114	Newcastle Utd	121½	-½	u1.6	-	1.6	-
*	F.P.	1.83	30½	28½	†Northstar Sats	30½	+1½	-	-	-	-
	F.P.	5.75	115	95	Oxford Tech Vent	115		-	-	-	-
-	F.P.	32.2	172½	157½	Partners Hldgs	172½		a-	-	-	19.9
100	F.P.	8.00	100	100	Penine AIM VCT	100		-	-	-	-
-	F.P.	18.2	65	39½	†Petra Diamonds	62½		-	-	-	-
-	F.P.	0.63	40	13½	†Do Warrants	37½		-	-	-	-
143	F.P.	21.8	155½	150	Qualceram	155½		Q23%	-	1.5	-
§117	F.P.	16.1	124½	120½	Salehurst	121½		L3.75	1.3	3.9	19.4
§100	F.P.	10.3	105½	102½	†Soccer Investmnt	103½		-	-	-	-
-	F.P.	12.4	107½	107½	†Torch Hldgs	107½		-	-	-	-
§	F.P.	5.78	4	3¾	Versalite Group	4		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	May 13	% chg on day	May 12	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1596.37	–0.9	1610.13	2382.73	2.13	–	2376.96	1468.60
■ Regional Indices								
Africa (14)	1864.25	+0.9	1847.41	3143.78	4.77	29.60	3197.52	1724.86
Australasia (6)	1817.55	+0.4	1810.82	2640.96	2.94	19.87	2677.22	1757.55
North America (11)	1497.88	–1.7	1524.23	2102.22	0.96	61.71	2126.45	1335.84

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	May 14	Day's chge%	May 13	May 12	May 9	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4686.9	-0.1	4691.0	4669.6	4630.9	3776.2	3.47	2.06	17.50	70.67	1992.85
FTSE 250	4529.3	–0.1	4533.0	4526.4	4526.2	4508.8	3.58	1.57	22.24	64.12	1882.81
FTSE 250 ex IT	4544.7	–0.1	4549.0	4543.2	4547.1	4546.4	3.72	1.60	21.03	66.68	1894.59
FTSE 350	2269.7	–0.1	2271.6	2262.6	2247.5	1911.3	3.49	1.96	18.25	33.80	1970.77
FTSE 350 ex IT	2269.9	–0.1	2271.8	2262.6	2247.5	-	3.52	1.98	18.00	1.49	1010.61
FTSE 350 Higher Yield	2205.5	–0.1	2207.0	2198.1	2179.6	1831.2	4.49	1.84	15.16	39.68	1621.22
FTSE 350 Lower Yield	2339.5	–0.1	2342.1	2332.9	2321.5	1998.7	2.46	2.20	23.10	27.46	1683.88
FTSE SmallCap	2316.80	.....	2317.81	2314.04	2308.08	2236.43	3.02	1.70	24.36	26.95	1958.39
FTSE SmallCap ex IT	2311.26	–0.1	2313.21	2310.93	2308.73	2233.52	3.24	1.78	21.71	29.00	1969.67
FTSE All-Share	2228.79	–0.1	2230.66	2222.19	2208.01	1896.33	3.45	1.95	18.59	32.66	1964.00
FTSE All-Share ex IT	2228.86	–0.1	2230.75	2222.12	2208.01	–	3.50	1.96	18.20	1.40	1010.05

■ FTSE Actuaries Industry Sectors

	May 14	Day's chge%	May 13	May 12	May 9	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4336.07	+0.2	4328.20	4287.90	4242.27	3575.48	3.51	2.02	17.65	85.94	1941.24
12 Extractive Industries(5)	4307.34	+0.2	4298.24	4266.63	4258.23	4669.16	3.65	2.38	14.34	104.80	1316.62
15 Oil, Integrated(3)	4484.32	+0.1	4481.04	4443.02	4386.42	3590.27	3.71	1.96	17.24	90.91	2064.14
16 Oil Exploration & Prod(12)	3599.80	+1.1	3560.69	3492.61	3480.55	2530.32	1.60	2.20	35.40	36.78	2204.75
20 GEN INDUSTRIALS(268)	1942.94	+0.1	1941.57	1945.63	1951.56	2141.65	4.12	1.90	15.94	31.31	1104.22
21 Building & Construction(35)	1392.96	–0.7	1402.72	1398.63	1395.99	1224.14	3.11	1.95	20.59	22.49	1208.41
22 Building Matls & Merchs(30)	1874.52	–0.3	1881.05	1885.26	1896.65	1972.45	4.29	2.75	10.60	34.84	987.03
23 Chemicals(26)	2338.88	+0.3	2332.02	2321.44	2308.11	2551.71	4.49	1.46	19.05	39.07	1154.70
24 Diversified Industrials(16)	1361.47	+0.3	1357.75	1373.69	1400.77	1786.05	5.33	1.97	11.90	36.17	806.39
25 Electronic & Elect Equip(38)	2109.14	–0.3	2116.20	2107.31	2113.68	2445.31	3.73	1.56	21.44	14.36	1127.60
26 Engineering(69)	2525.29	+0.5	2513.24	2523.07	2521.94	2475.66	3.36	2.46	15.14	31.12	1581.42
27 Engineering, Vehicles(13)	2804.00	+1.3	2767.12	2769.00	2747.07	3039.91	3.97	‡	‡	38.40	1600.96
28 Paper, Pckg & Printing(27)	2274.45	–1.0	2296.44	2308.78	2320.54	2785.96	4.60	1.87	14.50	41.86	986.40
29 Textiles & Apparel(14)	1057.60	.....	1058.08	1061.71	1066.42	1407.53	6.66	0.96	19.57	29.41	687.88
30 CONSUMER GOODS(84)	4551.09	.....	4551.18	4502.34	4385.32	3494.78	3.34	1.81	20.65	80.85	1754.87
32 Alcoholic Beverages(7)	3246.19	–1.6	3300.26	3356.86	2967.68	2893.08	4.08	1.88	16.30	62.64	1229.00
33 Food Producers(25)	2963.94	–0.3	2994.10	2974.58	2926.64	2476.77	3.70	1.85	18.29	56.21	1408.34
34 Household Goods(17)	3062.93	+1.1	3028.52	2990.41	3002.29	2686.72	3.39	2.30	16.02	53.41	1259.07
36 Health Care(15)	2222.00	+0.1	2218.79	2214.06	2211.94	2089.27	2.67	1.83	28.66	31.74	1392.75
37 Pharmaceuticals(18)	7343.56	+0.3	7319.12	7166.26	7086.16	4894.25	2.52	1.71	28.98	104.77	2577.95
38 Tobacco(2)	4539.84	+1.0	4493.08	4435.91	4464.85	4133.79	5.96	1.87	11.19	147.58	1206.45
40 SERVICES(271)	2712.80	+0.1	2711.26	2702.60	2687.32	2529.77	2.87	1.99	21.89	27.54	1453.72
41 Distributors(30)	2736.40	+0.1	2732.31	2740.55	2755.65	2926.07	3.35	1.94	19.19	38.25	1043.49
42 Leisure & Hotels(31)	3505.59	–0.3	3516.02	3511.38	3452.54	3213.63	2.61	1.78	27.01	58.92	1940.06
43 Media(44)	4371.83	–1.0	4415.77	4407.07	4377.46	4270.54	2.24	1.97	28.30	55.29	1622.17
44 Retailers, Food(15)	2149.21	+1.6	2116.01	2108.17	2092.78	2015.07	3.80	2.21	14.86	22.51	1415.26
45 Retailers, General(53)	2132.53	–0.2	2137.52	2126.48	2122.26	2051.04	3.13	2.07	19.28	15.05	1254.83
47 Breweries, Pubs & Rest.(22)	3322.72	+0.2	3315.78	3300.83	3310.89	3138.61	3.31	2.07	18.22	18.26	1639.65
48 Support Services(54)	3008.35	+0.2	3002.84	2973.05	2937.55	2382.09	1.73	2.62	27.59	20.48	1955.87
49 Transport(22)	2850.69	+1.5	2808.82	2812.83	2797.42	2440.30	3.41	1.47	24.94	30.52	1231.97
60 UTILITIES(31)	2810.32	–0.6	2826.03	2820.28	2811.16	2383.72	4.83	1.54	16.85	16.92	1282.62
62 Electricity(9)	3130.07	+0.2	3122.66	3107.83	3100.41	2763.76	5.63	2.15	10.46	22.06	1728.86
64 Gas Distribution(2)	1657.01	+0.8	1643.55	1630.09	1613.27	1271.58	7.36	‡	‡	68.13	946.43
66 Telecommunications(8)	2298.37	–1.4	2332.01	2341.54	2331.71	1992.33	3.72	1.72	19.55	0.38	1065.21
68 Water(12)	2636.60	+0.2	2632.09	2594.33	2603.68	2082.81	5.66	2.33	9.50	0.00	1525.04
69 NON-FINANCIALS(674)	2240.85	.....	2241.34	2230.95	2210.52	2018.79	3.57	1.85	18.92	30.86	1771.81
70 FINANCIALS(108)	4411.37	–0.3	4424.57	4419.15	4433.26	2926.58	3.26	2.38	16.08	83.03	1988.81
71 Banks, Retail(8)	6647.94	–0.1	6657.89	6643.99	6667.54	3981.06	3.02	2.65	15.60	126.12	2274.49
73 Insurance(18)	1825.53	–1.7	1856.53	1871.44	1876.14	1522.86	4.75	2.52	10.45	54.22	1466.76
74 Life Assurance(7)	5210.17	+0.2	5198.36	5217.44	5220.22	3812.94	3.38	1.96	18.83	121.00	2275.81
77 Other Financial(29)	3333.20	+0.1	3330.85	3263.08	3261.98	2680.74	3.15	1.93	20.59	36.34	1970.89
79 Property(44)	1990.60	–0.7	2005.27	2004.55	1993.92	1577.43	3.21	1.31	29.74	13.53	1267.36
80 INVESTMENT TRUSTS(127)	3398.52	–0.1	3400.58	3394.52	3389.88	3250.75	2.16	1.13	50.96	24.41	1212.78
89 FTSE All-Share(907)	2228.79	–0.1	2230.66	2222.19	2208.01	1896.33	3.45	1.95	18.59	32.66	1964.00
105 FTSE All-Share ex IT(780)	2228.86	–0.1	2230.75	2222.12	2208.01	–	3.50	1.96	18.20	1.40	1010.05
FTSE Fledgling	1298.58	–0.2	1301.27	1301.60	1300.84	1254.74	3.01	0.78	53.12	15.15	1397.74
FTSE Fledgling ex IT	1314.60	–0.2	1317.83	1318.75	1318.64	1264.10	3.31	0.76	50.00	14.29	1416.01
FTSE AIM	1098.4	–0.4	1092.3	1095.7	1094.9	–	0.93	1.01	80.00†	0.13	994.26

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	4684.0	4698.3	4713.3	4705.7	4688.8	4663.8	4683.5	4695.1	4685.7	4715.2	4660.4
FTSE 250	4528.4	4529.3	4532.5	4531.3	4529.9	4522.2	4524.2	4528.1	4528.8	4532.7	4522.2
FTSE 350	2268.5	2274.1	2280.3	2277.2	2270.5	2260.0	2267.9	2272.8	2269.2	2281.0	2258.7
FTSE SmallCap	2317.87	2318.31	2318.79	2318.68	2317.90	2316.49	2316.23	2316.33	2316.87	2318.93	2315.93
FTSE All-Share	2227.78	2232.98	2238.62	2235.80	2229.60	2219.94	2227.12	2231.59	2228.35	2239.30	2218.78

Time of FTSE 100 Day's high: 9:54 AM Day's low: 12:53 PM. FTSE 100 1997 High: 4698.9 (14/05/97) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 9:54 AM Day's low: 12:53 PM. FTSE All-Share 1997 High: 2228.80 (14/05/97) Low: 1989.78 (02/01/97)
Further information is available on http://www.ftse.com or contact FTSE International on +44 (0)171 448 1810.

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown.
‡ Values are negative. **Deletion:** CAMAS (22) & (FTSE SmallCap).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 Index constituent. All trades are rounded. Exchange: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

US INDICES

DJ Ind. Day's high 7350.85 (7317.48) Low 7211.18 (7156.36) (Theoretical)
Day's high 7315.83 (7298.46) Low 7241.85 (7169.12) (Actual)

Standard and Poors							
Composite	833.13	837.86	824.78	837.86 (12/5)	737.01 (2/1)	837.86 (12/5/97)	4.40 (1/6/32)
Industrials	981.10	985.58	969.97	985.58 (12/5)	865.42 (11/4)	985.86 (12/5/97)	3.52 (30/6/32)
Financial	93.81	94.77	93.31	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/8/74)
NYSE Comp.	433.97	435.57	429.23	435.57 (12/5)	388.47 (11/4)	435.57 (12/5/97)	4.84 (25/4/42)
Amex Comp.	578.50	578.47	573.78	603.63 (10/3)	541.20 (28/4)	617.81 (22/5/96)	524.20 (18/7/96)
NASDAQ Cmp	1333.59	1344.19	1335.05	1388.66 (22/1)	1201.00 (2/4)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	May 9	May 2	Apr 25	Year ago
Dow Jones Ind. Div. Yield	1.71	1.73	1.82	2.20
	May 7	Apr 30	Apr 23	Year ago
S & P Ind. Div. yield	1.72	1.75	1.80	1.92
S & P Ind. P/E ratio	23.33	22.80	22.19	21.26

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close. price	Change on day
Gen Elec	7,159,000	60¾	+⅞
Micron Tech	7,120,600	34¾	-2
Digital Eq	7,115,700	35⅛	+2
Wal-Mart	7,059,900	30	+⅛
IBM	5,858,900	175¾	+3¾
Ph Morris	4,575,100	42¼	-⅛
Westinghous	4,373,100	16⅞	+⅛
PepsiCo	4,150,700	36⅜	+⅜
Hew-Packard	3,904,700	56⅝	-⅛
Owens-Ill	3,770,200	29⅛	+⅝

■ TRADING ACTIVITY

● Volume (million)

	May 13	May 12	May 9
New York SE	398.557	482.737	455.619
Amex	13.903	18.414	17.285
NASDAQ	606.482	544.670	552.906
NYSE			
Issues Traded	3,353	3,349	3,332
Rises	1,144	1,773	1,532
Falls	1,326	764	837
Unchanged	883	812	863
New Highs	144	167	109
New Lows	21	14	10

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	837.65	841.60	+3.75	846.30	841.60	78,287	184,235

TORONTO (May 14 / Can $)
4 pm close

Prices supplied by Extel, part of FT Information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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■ TOKYO - MOST ACTIVE STOCKS: Wednesday, May 14, 1997

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nomura Sec	11.2m	1,480	-70	Japan Energy	5.4m	284	-23
Nippon Steel	7.4m	371	-2	Hitachi	5.2m	1,230	-10
Sumitomo Hvy Ind	6.3m	462	+23	Kawasaki Hvy Ind	5.0m	544	+10
Mitsui Osk Lines	6.3m	259	+11	Toshiba Corp	4.8m	721	-14
NKK Corp	5.8m	271	+6	Sumitomo Mtl Ind	4.6m	310	+5

4 pm close May 14

NEW YORK STOCK EXCHANGE PRICES

- A -

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
32	24¼	AAR x	0.48	1.5	24	243	31⅜	31⅛	31¼	
43	33⅛	AMP x	1.04	2.7	31	6741	39¾	38¾	38⅞	-⅜
96⅝	78¼	AMR			7	6409	u96¾	95⅝	96⅜	
37⅝	31⅝	ASA x	1.20	3.7	21	102	33⅛	32⅝	32⅝	-¾
64⅜	49¾	AbbtL x	1.08	1.7	26	8509	u65¼	64½	64⅞	+⅝
17½	14⅛	Abitibi Pr	0.40	2.4	8	263	17¼	16⅞	17	-¼
18¾	17⅜	ABM Ind	0.40	2.1	17	373	19½	19⅛	19¼	+¼
23	17¾	Acptacsin			8	122	19⅜	18⅞	19⅛	-¼
68⅜	56⅛	ACE Ltd	0.88	1.4	10	497	61⅞	61½	61⅞	+⅜
10¾	10	ACM Gvt In x	0.90	8.8	11	115	10¼	10⅛	10¼	
7⅝	7	ACM GvOpp x	0.63	8.3		74	d7⅝	7½	7⅝	
9⅞	9¼	ACM Man x	0.90	9.4		146	9⅝	9½	9⅝	
10⅜	6¼	Acme Elect				10	6⅞	6⅞	6⅞	
20	13	Acme Mills				94	13⅞	13¼	13⅞	+⅝
17⅜	14	ACNielsen			30	1379	17	16¾	16⅞	-⅜
33	27¼	Acordia	0.80	2.5	15	290	32¼	32	32¼	+⅛
29¾	21⅛	Acuson				4059	26⅛	24⅞	26⅛	+1⅜
21⅝	19⅝	Adams Expr	0.55	2.5	1	282	u21¾	21⅝	21⅝	
48½	24⅞	AdvMic				11244	44⅛	42¾	43⅛	-⅝
15	10⅜	Advest Grp	0.03	0.2	10	467	14⅞	14⅝	14⅞	+¼
14⅜	11⅞	Advo Inc			16	40	13¾	13⅝	13¾	
73⅞	61⅛	Aegon x	1.45	2.0	20	132	73⅛	72¼	73⅛	+1
5⅞	3⅛	Aerflx				166	3⅝	3½	3⅝	
43⅛	33	Aero-V x	0.80	1.9	12	1138	41⅞	41⅜	41⅞	+½
68	48	AES Corp				20	66⅛	65⅛	66⅛	+⅜
100⅜	73	Aetna x	0.80	0.8	54	4389	99½	97¼	97⅝	-1
45⅞	37½	Aflac	0.46	1.0	16	1254	u46	45⅜	45¾	+⅛
31⅝	19¾	AGCO	0.04	0.1	12	20	30½	30½	30½	+¼
21⅝	18⅜	AGL Res x	1.08	5.6	13	332	19⅝	19¼	19¼	-⅜
45¼	32	Ahmanson x	0.88	2.1	29	7027	41¼	40½	41	+1
77⅝	68⅜	AirPrC	1.10	1.5	20	2285	74⅝	73½	74	+½
36¾	22¾	Airbne Frt x	0.30	0.8	18	776	35⅝	35¼	35⅜	-⅛

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Continued on next page

4 pm close May 14

NYSE PRICES

Continued from previous page

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Ch'ge Prev. Close
65 1/4	51 1/2	Xerox	1.28	2.0	17	5382	64 1/4	63 1/2	63 5/8	+1/8
45 7/8	40 1/2	Xtra Corp x	0.80	1.8	17	121	44 7/8	44 1/2	44 7/8	+5/8
23 7/8	20 3/4	Yankee Egy	1.30	5.9	13	104	22 1/8	21 3/4	21 7/8	+1/8
58	37 7/8	York Int	0.48	1.0	15	712	47 7/8	46 3/4	47 5/8	+1/4
5	4	Zapata				710	4 3/8	4 1/4	4 3/8	
13 1/8	9 1/8	ZnthEl				1297	11 1/8	10 3/4	10 7/8	
27 7/8	24 7/8	Zenith Nat x	1.00	3.9	14	226	26 1/8	25 3/8	25 5/8	-3/4
7 1/2	7 1/8	Zweig Inc	0.73	9.9		138	u7 1/2	7 3/8	7 3/8	-1/8
23 3/4	17 3/4	Zero x	0.12	0.6	16	140	20 3/4	20 3/8	20 1/2	-1/8
11 1/2	10 3/4	ZweigFd♣	1.16	10.2		323	u11 1/2	11 3/8	11 3/8	-1/8
8 3/4	8	Zweig Totl x	0.84	9.6		949	u8 3/4	8 5/8	8 3/4	+1/8

Price data supplied by Extel, part of FT information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. ds-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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AMEX PRICES

4 pm close May 14

NASDAQ NATIONAL MARKET

4 pm close May 14

- Q -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Quantum		25	59192	46 3/8	43	43 3/4	-1 5/8
Quickslv		16	131	25 1/2	24 3/4	25 1/8	+3/8
Quintiles		186	1277	56 3/8	55 1/2	55 7/8	-1/4

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow♣		12	225	15 7/8	15 1/8	15 1/4	+1/8
Rallys			855	3 1/16	2 3/4	2 13/16	-3/32
Raymond	0.25	15	1398	30 3/4	30 1/4	30 3/4	+1/2
RCSB Fin	0.60	12	596	34	33	33 1/2	-1/4
Read-Rite			50807	26 3/4	25	26 1/8	+1/8

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
WPP ADR	0.10	22	692	41 5/8	40 3/4	41 5/8	+5/8
Wyman-Gdn	0.40	28	466	22 1/2	22 1/8	22 1/8	-1/8
Xilinx♣		36	24789	55	51 3/4	52.89	-.99
Xircom		18	8136	12 7/8	12 1/4	12 3/4	+7/16
Xoma Corp			1424	5 3/16	4 15/16	5 1/8	+1/8
Yellow			2806	19 3/8	18	18 1/8	-1
York Rsch		16	263	8 1/16	7 7/8	7 7/8	
ZionsUtah	1.76	19	267	136 1/2	134 7/8	136 1/4	+7/16

EASDAQ

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7	-0.125	5680	8.25	7	Esprit Telecom ADS	US$5.375		200	12.25	5.375
Artwork Systems	US$10.625		7000	11	9.5	Innogenetics	US$11.375		14150	12.75	10.375
Chemunex	FFr16		10000	18	16	Mercer Internatnl.	US$9.75	+0.125	0	11.75	8.125
Dr Solomon's ADS	US$22.5		0	28.5	16.875	PixTech	US$4.5	+0.125	0	6.125	4.25

Prices for 13/5/97. Prices for 14/5/97 unavailable. Please note that mid prices are now used to calculate highs and lows.

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Dow moves ahead on inflation figures

AMERICAS

Wall Street took heart from an upbeat bond market at midsession as it breached its record closing record, *writes Jane Martinson in New York.*

At 1pm the Dow Jones Industrial Average stood 39.97 higher at 7,314.18. Earlier rises of more than 50 points had sparked the so-called downtick rule, intended to slow the tide of the market.

Mr Arun Kumar at Lehman Brothers described the day's producer price data as "market-friendly". The figures lifted US treasuries where prices for the 30-year benchmark bond rose $\frac{3}{32}$ to 96$\frac{29}{32}$.

Financial services and consumer groups led the charge in the leading indicator; smaller companies and technology stocks also rose but failed to match the Dow's strong performance.

The technology-driven Nasdaq composite index was up 2.72 at 1,336.31 while the Russell 2000 of smaller company shares edged up 0.80 to 364.36 during the morning. Both indices have underperformed the larger companies over the past two days. The S & P 500, the broader based index of larger companies, rose 4.31 to 837.44.

Computer giants appeared to be hit by fears over the lawsuits alleging patent infringements launched against Intel, the semiconductor manufacturer. Intel fell $1⅞ or more than 1 per cent to $150⅝ following the previous day's decline of more than 4 per cent. Cyrix, a smaller computer group, followed Digital Equipment's lead and lodged its own patent infringement suit against the group. Some smaller Nasdaq stocks performed well. Applied Materials rose 4 per cent or 2\frac{7}{16}$ to $63¾ after positive earnings figures.

Financial blue chips benefited from the upturn in the inflation outlook and corresponding hopes that interest rates would not be lifted. J.P. Morgan rose $2 or almost 2 per cent to $104 while Lehman Brothers, which has been subject to continued bid rumours, gained more than 3 per cent or $1¼ at $37⅞.

Some of the gloss came off of IBM, which performed strongly in the past week, although the group was up $⅝ at $174¼.

TORONTO swung back on to the upside, led higher by the early strength on Wall Street and mounting hopes for pleasant earnings surprises in the forthcoming quarterly results season.

Tech stocks had a robust morning and the banks continued to gain ground in good two-way trading. At the noon calculation, the 300 composite index was 16.86 higher at 6,266.10.

SAO PAULO tumbled 3.5 per cent at midsession amid allegations that Mr Sergio Motta, the communications minister, was involved in a vote-buying scheme to ensure that the presidential re-election bill would pass safely through Congress.

Selling pressure, particularly of the benchmark Telebras preferred, led the Bovespa index down 367 to 10,281.

Telebras preferred and common plunged 3.9 per cent to R$129.91 and R$123 respectively.

Jo'burg sustained by Liberty Life quarterly

Wall Street's firm start and some modest, positive futures pressure kept Johannesburg's all-share index on the upside with a gain of 21.4 to 7,214.5.

Trading was relatively light and sentiment was said to lack conviction. But there were a number of strong non-mining features and these helped offset a mixed day for golds.

Liberty Life surged R4.50 or nearly 4 per cent to R129.50 after the insurance leader announced a strong start to 1997.

Bourses see further all-time highs

EUROPE

Investor-friendly US data took six bourses to all-time highs. **PARIS** peaked again in heavy volume thanks to good news from the election opinion polls and a mouth-watering takeover story.

There was strength in depth. Oils had another good day, motors bounced strongly and banks rose on the improved interest rate outlook and talk of industry rationalisation.

At the close the CAC-40 was 55.05 or 2 per cent higher at 2,774.63 having traded 17m shares.

The takeover talk centred on BNP, which was said to be poised to merge with Dresdner Bank of Germany. Though an old story, it was given a fresh spin yesterday on the basis of banking opportunities within a single-currency Europe.

At all events, BNP experienced some of its best volume of the year, surging FFr12.90 or 5.2 per cent to FFr262.10 in 1.5m shares. Société Générale rose FFr28 to FFr696 and Paribas gained FFr13.10 to FFr406.

Good first-quarter sales from the sector sent motors shooting ahead. Michelin jumped FFr14.60 to FFr354, Renault FFr6.60 to FFr154 and Peugeot FFr34 or 5.6 per cent to FFr644. An oil price comfortably above $19 a barrel left Total FFr23 higher at FFr542.

AMSTERDAM's new high left the AEX index 10.83 ahead at 796.86. Financials continued to make most of the running on the back of fading US interest rate pressure. ABN-Amro gained Fl 1 to Fl 35.70 and Aegon added Fl 3 at Fl 141.60.

Smaller cap stocks contained a handful of features. Gucci jumped Fl 3.30 to Fl 137.10 on talk of a takeover bid from LVMH, a move the French luxury goods giant subsequently denied. Vendex rose Fl 3.10 to Fl 102.10 after disclosing strong sales and confirming a June float for its services operations.

ZURICH posted a third consecutive record closing high as foreign buying, a stronger dollar and a flurry of new warrant issues combined to take the market up. The SMI index rose 50.1 to 5,134.3, extending its rise since the start of the year to 30 per cent.

Novartis climbed SFr30 to SFr2,039 as analysts gave a broad welcome to its $910m purchase of Merck's crop protection arm and plans to streamline its business. Goldman Sachs said that the moves highlighted the continued focus of the newly merged company on its core business, while CSFB described the acquisition as an excellent strategic fit at a reasonable price.

UBS continued to make up for some of its recent underperformance with a SFr27 rise to SFr1,466, helped by an upgrade by Pictet, the Geneva-based private bank.

Among cyclicals, ABB rose SFr39 at SFr1,982 and Sulzer SFr24 to SFr1,086, but Alusuisse gave back some of Tuesday's sharp rise with a loss of SFr14 to SFr1,301.

Nestlé added SFr22 at SFr1,865 on the view that it was still cheap, compared with Unilever.

Records were also set in:

● **COPENHAGEN**, where the KFX index put on 0.87 at 163.90.

Novo Nordisk, the biotechnology group, climbed DKr19 to DKr703 on better than expected first-quarter earnings, and, given its New York quotation, on the US economic data.

● **HELSINKI**, where Raisio pared recent sharp losses to close FM12 higher at FM396 after it said, late in the session, that plans to launch its cholesterol-cutting Benecol margarine in Sweden this year were still on track.

The Hex index rose 21.02 to 3,032.46.

● **VIENNA**, with the ATX index 5.30 higher at 1,634.69 and Creditanstalt preferred up Sch4.54 at Sch505.60.

FRANKFURT broke the 3,600 barrier but, once again, this was only temporary as the Dax index came back from a high of 3,607.55 to close 29.28 up at an Ibis-indicated 3,588.57.

Ms Barbara Altmann at B Metzler noted that Friday was exercise day for DTB options; in that context, she said, there might be investors who thought that 3,600 was enough, given that the Dax was still below 3,400 towards the end of April.

Rumours of a DM20bn German tax shortfall were not a direct depressant, since bunds were lifted by the performance of US treasuries. However, the prospect of a German government, needing to cut its borrowing requirements, advancing the privatisation of its own 74 per cent stake in Deutsche Telekom, left the latter another 55 pfg lower at DM39.25 for a two-day decline of 4.6 per cent.

Brokers' "buy" recommendations lifted Schering DM5.70 or 3.3 per cent to DM176.70 and Veba by DM3.35 to DM100.15. Outside the Dax, an upgrade to "market outperformer" from Goldman Sachs for Hochtief left the construction company DM5 or 7.1 per cent higher on the day at DM75.

MILAN edged higher with Credito Italiano at the centre of attention after a presentation to analysts in London. The Comit index rose 1.41 to 774.31 as Credito jumped L142 to L2,602 in heavy volume of 57.1m shares.

Among the insurers, Generali added to Tuesday's gains in the wake of its 1996 results, and advanced L226 to L30,922.

Shares of Unicem, the cement producer, fell L343 to L12,124 after a Fratelli Buzzi announcement that it would acquire an 20.5 stake stake at a price of L18,800. Analysts said that investors were disappointed that no clear details had yet emerged about a public buy offer.

ISTANBUL picked up 2.1 per cent as investors were tempted back by the prospect of a new secularist alliance to replace the ruling Islamist-led coalition government. The IMKB National-100 index rose 29 to 1,437.

Written and edited by William Cochrane, Michael Morgan and *Jeffrey Brown*

FTSE Actuaries Share Indices

May 14 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2323.74	2324.23	2324.86	2324.71	2325.47	2326.21	2328.16	2328.46
FTSE Eurotrack 200	2371.77	2372.36	2372.06	2369.45	2368.20	2371.76	2374.74	2370.98

	May 13	May 12	May 9	May 9	May 8
FTSE Eurotrack 100	2315.77	2294.96	2287.77	2287.77	2286.39
FTSE Eurotrack 200	2360.31	2342.13	2329.46	2329.46	2320.54

Base value 1000 (29/10/90); High/day: 100 - 2329.50; 200 - 2375.83 Low/day: 100 - 2322.78 200 - 2364.73. † Partial.

Bangkok drops 4.8% on slide in baht

ASIA PACIFIC

A renewed slide for the baht sent **BANGKOK** spiralling down to its lowest level for eight years. At the close, the SET index was off 28.95 or 4.8 per cent at 571.30.

Selling was again dominated by foreign funds as worries about the economy and the baht combined with rumours of cabinet conflicts to depress sentiment. The SET index has fallen 20 per cent since mid-April.

Bangkok Bank, the most active stock, fell Bt4 to Bt156 and Thai Farmers Bank lost Bt7 to Bt100. Siam Cement tumbled by its 10 per cent daily limit, ending off Bt62 at Bt558.

TOKYO's recent bullishness in blue chips was watered down by the suspension of Sumitomo Trust & Banking over funding concerns, and as central and local government bodies distanced themselves from Nomura Securities, *writes Our Markets Staff.*

The Nikkei 225 average closed up 80.61 at 20,209.72, its high for the day after a low of 20,030.10, although the Nikkei 500 banks index fell 0.9 per cent, and securities houses by 2.35 per cent.

Turnover fell from 559m shares to 421m. The Topix index of all first section stocks rose 1.64 to 1,502.31 and the Nikkei 300 was up 0.62 to 291.65. Declines outnumbered advances 577 to 514, with 162 unchanged.

Support came from domestic demand suppliers such as Nippon Telegraph and Telephone (NTT), up Y51,000 to Y1.05bn, and from recent laggards such as shipping and shipbuilding, which rose 1.1 per cent and 2.35 per cent respectively.

Talk of equity financing at Sumitomo Trust, which said after hours that it was considering financing but that the timing and the amount were undecided, had traders worried over the prospect that other banks might follow suit.

Toyo Trust & Banking dropped Y63 or 6.6 per cent to Y897, Mistsui Trust & Banking Y29 to Y881 and Chuo Trust & Banking Y24 to Y690.

In securities houses, Nomura dropped Y70 or 4.5 per cent to Y1,480 after hitting a 1997 low of Y1,460.

Nomura was initially bruised by news that Japan's securities watchdog had filed a criminal complaint with prosecutors against the broker on Tuesday evening, and then further hurt as principal clients halted business with the company.

Shipping and shipbuilding saw Mitsui OSK Lines and Navix rise Y11 to Y259 and by Y5 to Y229 respectively, while Sasebo Heavy Industries put on Y14 or 6 per cent at Y249.

In Osaka, the OSE average eased 20.50 to 21,002.64. In London, the ISE/Nikkei 50 index rose 1.92 to 1,597.21.

MANILA, boosted by gains in B shares, took the composite index up 28.81 to 2,705.92.

Turnover was below average at 2bn pesos. News that the Philippines SEC will not declassify the internationally oriented B shares helped Meralco B, one of the most heavily traded issues, rise 17 pesos or 15 per cent to 129 pesos.

TAIPEI rallied strongly. The weighted index rose 229.50 or 2.9 per cent to 8,181.62 to regain some 75 per cent of Monday's severe sell-off.

Turnover was unexciting at T$112bn. The buying was sparked by rumours of intervention by government funds.

KUALA LUMPUR continued to move lower on worries about rising import costs. The composite index eased 12.06 or 1.1 per cent to 1,072.49. Motor groups were in the thick of the action as the strength of the yen led to concern over rising component import costs. Proton lost 60 cents to M$12.90 for a two-day decline of more than 5 per cent.

SYDNEY ended off 3.9 at 2,530.4 on the All Ordinaries index. Banks stayed active following solid results from Westpac. Commonwealth rose 23 cents to A$14.78. Reports of a $350m bid for a US baseball team, plus worries about satellite TV legal action, left News Corp 21 cents or 3.5 per cent lower at A$5.72.

Emerging markets: IFC weekly investable price indices

Market	No. of stocks	Dollar terms: May 9 1997	Dollar terms: % Change over week	Dollar terms: % Change on Dec '96	Local currency terms: May 9 1997	Local currency terms: % Change over week	Local currency terms: % Change on Dec '96
Latin America	(248)	655.71	+1.9	+21.9			
Argentina	(30)	1,070.72	–0.1	+12.6	858,707.70	–0.1	+12.6
Brazil	(68)	530.99	+2.3	+34.0	2,117.55	+2.5	+37.4
Chile	(46)	738.04	+1.5	+19.0	1,235.52	+1.4	+17.2
Colombia[1]	(14)	834.57	+2.3	+31.8	1,592.06	+3.2	+41.1
Mexico	(64)	602.58	+2.6	+13.8	2,052.99	+2.5	+14.2
Peru[2]	(17)	239.97	–1.9	+22.0	391.09	–1.8	+25.2
Venezuela[3]	(9)	747.96	+3.6	+2.7	8,293.62	+3.8	+4.0
Asia	(709)	239.21	+0.2	–5.4			
China[4]	(27)	87.74	+4.2	+19.0	91.85	+4.2	+18.9
South Korea[5]	(156)	72.71	–4.4	–5.9	85.40	–4.3	–0.5
Philippines	(42)	237.30	+1.0	–19.2	302.28	+0.9	–19.0
Taiwan, China[6]	(42)	171.33	+0.5	+11.8	178.07	+0.5	+12.5
India[7]	(77)	94.52	–0.7	+20.0	120.29	–0.4	+20.0
Indonesia[8]	(49)	125.84	+5.1	–1.4	166.05	+4.9	+1.4
Malaysia	(148)	302.62	+0.5	–10.1	280.11	+0.5	–10.7
Pakistan[9]	(28)	234.53	+0.4	+19.8	430.67	+0.6	+20.5
Sri Lanka[10]	(5)	109.38	–3.4	+15.0	141.53	–3.4	+20.3
Thailand	(87)	158.25	–9.2	–28.5	168.25	–9.7	–27.6
Euro/Mid East	(264)	158.54	+1.2	+18.1			
Czech Rep.	(7)	59.11	+2.6	+15.7	59.91	–4.0	–5.7
Egypt	(16)	100.94	–4.0	–	100.80	–4.0	–
Greece	(54)	365.51	+8.5	+50.8	668.02	+6.6	+65.0
Hungary[11]	(12)	258.91	+1.8	+31.6	561.20	+0.6	+46.7
Jordan	(7)	189.88	+0.9	+1.7	283.34	+0.9	+1.6
Morocco	(5)	130.99	–0.4	–	134.19	–1.8	–
Poland[12]	(30)	722.72	–0.7	–1.3	1,429.14	–1.3	+8.4
Portugal	(28)	178.31	+3.8	+22.0	208.89	+1.9	+34.0
Russia	(15)	121.90	+4.8	–	124.80	+4.7	–
Slovakia	(5)	109.58	+2.3	–	111.92	+0.9	–
South Africa[13]	(63)	237.30	–0.3	+13.8	218.50	–0.1	+8.4
Turkey[14]	(58)	191.62	+2.1	+28.9	12,291.33	+2.2	+61.2
Zimbabwe[15]	(5)	563.11	–4.3	+18.9	938.13	–4.3	+24.3
Composite	(1221)	319.76	+1.0	+8.4			

Indices are calculated at end-week; weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1993; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

After Tuesday's pull-back, Hong Kong returned to its record-setting ways yesterday as another sharp rise in HSBC showed the broader market the way higher, *writes Michael Morgan.*

The Hang Seng index jumped 247.12 or 1.8 per cent to an all-time high of 14,153.58, taking its rise for the month to 9.7 per cent. Turnover of HK$17.7bn was the third highest ever recorded. The advance, spearheaded by financials and properties, has been fuelled by an inflow of regional funds switching from underperforming markets such as Thailand, Singapore and Malaysia.

Among financials, HSBC has seen strong demand, not least from UK fund managers, anxious to raise weightings in the sector, says Mr Michael Franklin at HSBC James Capel in London. The UK funds have bought the stock as a proxy, in the light of a shortage of financial index stocks in the London market. Yesterday, HSBC jumped HK$6 to HK$223, helped by news that Standard & Poor's, the international credit ratings agency, had raised its long-term ratings on the bank, at the same time as it upgraded the colony's foreign and local currency credit ratings.

The property sector has also been a strong performer. Yesterday, it took fresh heart from speculation that Hong Kong's new regime is committed to releasing more land for development after the territory is handed over to Beijing in July.

Meanwhile, the volatile mainland Chinese exchanges have been under pressure in recent sessions amid worries that Beijing might be planning tough measures to cool the markets. Yesterday, Shanghai's hard currency B index tumbled 6.2 per cent, while its Shenzhen counterpart lost 4.3 per cent.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY MAY 13 1997: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MAY 12 1997: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (76)	231.43	0.3	210.26	174.09	204.21	198.05	0.5	3.84	230.81	210.62	172.88	204.04	197.13	231.43	188.44	207.67
Austria (24)	192.12	–0.1	174.55	144.52	169.52	169.47	–0.2	1.87	192.22	175.40	143.97	169.92	169.87	195.04	174.70	184.42
Belgium (26)	248.46	0.3	225.73	186.90	219.23	214.64	0.2	3.33	247.60	225.94	185.46	218.88	214.30	248.46	206.70	206.92
Brazil (30)	256.86	0.1	233.36	193.21	226.64	504.57	0.2	1.42	256.48	234.04	192.11	226.73	503.63	256.86	162.65	165.75
Canada (113)	199.34	–0.3	181.11	149.95	175.89	200.24	–0.5	1.95	199.89	182.40	149.72	176.70	201.16	203.31	154.12	163.76
Denmark (32)	380.29	1.3	345.51	286.06	335.55	334.27	1.1	1.51	375.37	342.54	281.16	331.84	330.62	380.29	291.89	292.98
Finland (28)	267.38	0.9	242.92	201.12	235.92	287.12	0.5	1.59	264.93	241.75	198.44	234.20	285.79	268.58	185.31	185.31
France (91)	227.44	1.2	206.63	171.08	200.68	203.94	0.9	2.80	224.84	205.17	168.41	198.76	202.16	227.44	186.94	194.05
Germany (59)	212.53	0.8	193.09	159.87	187.52	187.52	0.6	1.51	210.88	192.43	157.95	186.42	186.42	212.53	165.60	165.60
Hong Kong (66)	493.82	–0.4	448.65	371.46	435.72	490.74	–0.5	3.08	495.98	452.60	371.50	438.46	493.12	514.49	407.55	422.20
Indonesia (27)	236.50	–1.0	214.86	177.90	208.67	352.41	–0.9	1.55	238.89	218.00	178.93	211.18	355.68	–	–	–
Ireland (16)	346.31	1.0	314.63	260.50	305.57	321.67	0.9	2.98	342.98	312.97	256.90	303.19	318.67	346.31	270.08	277.48
Italy (59)	90.11	0.7	81.87	67.78	79.51	112.99	0.3	2.20	89.48	81.65	67.02	79.10	112.70	96.32	73.26	82.88
Japan (485)	129.32	0.0	117.49	97.28	114.11	97.28	0.5	0.81	129.28	117.97	96.84	114.29	96.84	159.23	107.57	156.34
Malaysia (107)	529.24	–0.6	480.83	398.10	466.98	513.04	–0.4	1.23	532.52	485.94	398.87	470.76	515.03	660.85	512.47	569.46
Mexico (27)	1410.00	0.4	1281.02	1060.62	1244.11	12188.49	0.1	1.19	1404.57	1281.71	1052.05	1241.66	12171.07	1445.68	1110.35	1265.90
Netherland (19)	369.58	0.2	335.77	278.00	326.10	321.99	0.0	2.43	368.75	336.50	276.20	325.98	321.93	369.58	279.88	290.44
New Zealand (14)	87.49	0.0	79.49	65.81	77.20	66.87	0.1	4.25	87.52	79.86	65.55	77.37	66.80	95.60	75.94	81.77
Norway (41)	304.80	1.4	276.92	229.27	268.94	290.44	0.4	2.12	300.57	274.28	225.13	265.71	289.35	321.23	243.72	244.93
Philippines (22)	157.77	–0.8	143.34	118.68	139.21	207.34	–0.8	0.89	159.02	145.11	119.11	140.58	209.00	–	–	–
Singapore (42)	399.09	0.1	362.58	300.20	352.14	264.23	0.2	1.07	398.59	363.72	298.55	352.36	263.58	448.01	380.08	431.31
South Africa (44)	362.19	–0.1	329.06	272.44	319.58	353.59	0.0	2.39	362.49	330.78	271.51	320.45	353.48	370.12	301.49	358.96
Spain (35)	249.45	0.9	226.63	187.64	220.10	271.09	0.6	2.42	247.22	225.59	185.17	218.54	269.40	249.45	171.91	175.44
Sweden (49)	443.27	0.5	402.72	333.43	391.12	503.22	0.3	2.06	440.99	402.41	330.31	389.84	501.72	448.64	334.35	344.61
Switzerland (35)	286.12	0.7	259.95	215.22	252.46	254.85	0.8	1.31	284.04	259.20	212.75	251.10	252.80	286.12	229.36	234.05
Thailand (43)	66.82	0.6	60.71	50.26	58.96	67.25	0.7	4.64	66.40	60.59	49.73	58.70	66.80	183.94	66.40	183.94
United Kingdom (211)	302.04	0.8	274.41	227.20	266.51	274.41	0.4	3.59	299.49	273.29	224.32	264.75	273.29	302.04	229.63	230.25
USA (652)	336.96	–0.5	306.13	253.46	297.31	336.96	–0.5	1.81	338.74	309.11	253.72	299.45	338.74	338.74	254.79	269.75
Americas (822)	308.15	–0.5	279.96	231.79	271.90	259.53	–0.5	1.81	309.69	282.60	231.97	273.77	260.66	309.69	233.09	246.57
Europe (725)	261.35	0.8	237.45	196.59	230.61	240.88	0.5	2.63	259.31	236.62	194.23	229.23	239.69	261.35	204.71	206.68
Nordic (150)	383.97	0.8	348.85	288.83	338.80	376.05	0.5	1.92	380.95	347.63	285.34	336.77	374.34	385.85	291.45	294.86
Pacific Basin (882)	147.56	0.0	134.07	111.00	130.20	110.84	0.3	1.29	147.61	134.70	110.57	130.49	110.50	171.79	127.18	169.44
Euro-Pacific (1607)	195.03	0.4	177.19	146.70	172.08	159.83	0.4	2.03	194.21	177.22	145.46	171.68	159.27	195.03	173.55	184.85
North America (765)	328.50	–0.5	298.45	247.10	289.85	327.89	–0.5	1.82	330.20	301.32	247.33	291.90	329.62	330.20	248.65	263.17
Europe Ex. UK (514)	233.82	0.8	212.43	175.89	206.31	217.56	0.6	2.07	232.07	211.77	173.83	205.16	216.38	233.82	185.65	186.75
Pacific Ex. Japan (397)	304.36	–0.2	276.52	228.94	268.55	264.97	–0.1	2.79	305.06	278.38	228.50	269.68	265.35	320.65	268.97	291.20
World Ex. US (1821)	198.23	0.4	180.10	149.11	174.91	166.04	0.4	2.02	197.48	180.20	147.91	174.57	165.44	198.23	176.94	186.16
World Ex. UK (2262)	236.61	–0.1	214.97	177.98	208.77	209.12	–0.1	1.74	236.94	216.22	177.47	209.46	209.33	236.94	199.58	210.09
World Ex. Japan (1988)	300.17	–0.1	272.71	225.79	264.86	289.56	–0.1	2.15	300.34	274.07	224.96	265.50	290.00	300.34	233.10	242.84
The World Index (2473)	242.18	0.0	220.03	182.17	213.69	215.04	–0.1	1.82	242.28	221.09	181.46	214.18	215.14	242.28	202.32	211.94

CONSTITUENT CHANGES 13/5/97: Name changes: Far East Levingstone to Keppel FELS (Singapore) and Straits Steamship Land to Keppel Land (Singapore). Latest prices were unavailable for this edition.

The Business of Travel

In the early 1990s companies had to take a long, hard look at their business travelling expenses. Deregulation of Europe's skies is now providing opportunities to cut costs without curbing travel. **Michael Skapinker** reports

Now is the time to test some theories on costs

The airline announcement is becoming a familiar one: "As our flight today is extremely full, would you please place your hand luggage sideways in the overhead lockers so that you leave space for other passengers."

In the US and much of Europe, business travel is flourishing. Aircraft are full, and so are hotels. Upgrades to business class are few and far between on most airlines; the front sections of the aircraft are full of paying passengers.

It is an opportune time to test a theory that many expounded during the dark days of recession in the early 1990s. When companies told their employees to travel in the economy section of the aircraft and not to stay away for one more night than was necessary, some managers and travellers said the good times would never return.

The recession would eventually end, of course, and companies would send their managers and sales staff travelling again in search of new business and customers. But never again, the theory went, would companies let staff fly first class or spend an extra weekend in Rome or Sydney.

The recession had forced companies to look at their travel budgets, and many were appalled at how much they had been spending. In many cases, finance directors had taken direct control of the travel budget and were determined to keep costs down. The theory was that they would not allow expenditure to run out of control when the good times returned.

Now that the good times are back, has the theory turned out to be true? Only partly, say those who book travel on behalf of companies.

"We've seen some loosening up," says Mr Kyle Davis, a Paris-based vice-president of American Express. "We've seen some companies that told their people to move from business class to economy now allowing them to go back to business class."

Mr Davis says that some of the companies which told their staff to fly economy found that employees were deciding not to travel at all. With the recession over and companies searching for new business, some of these organisations decided it was best to let their staff fly in a little more comfort as a way of ensuring that they began travelling again.

There are, says Mr Davis, other companies which, during the recession, talked about drawing up new, tight travel policies but never did so. Their staff are now travelling in the front of the aircraft, too.

Some travel agents see things slightly differently. Mr Tony Hughes, chairman of the UK's Guild of Business Travel Agents and managing director of P&O Travel, says: "The travel policies that came in in the recession haven't changed much. There are some companies where business class travel had been stopped and where it's now back. But manufacturing companies haven't relaxed their travel policies, and a lot of their people are still travelling economy."

Even those companies which are intent on saving money on travel can find it difficult to do so in Europe, Mr Davis says. On many important routes in Europe there are still only two carriers, he says. In the US, a company wanting to fly an executive from New York to Los Angeles has many more options than an organisation sending a manager from one European city to another.

Europe is, however, seeing the beginnings of change and the appearance of low-fare airlines that are now an established feature of US travel. On April 1, the decade-long deregulation of the European Union's skies was completed. The process began with the liberalisation of air fares and continued by giving EU airlines the right to fly to any airport in another member-state. At the beginning of April, airlines won the right to launch domestic services in other EU countries.

Industry executives believe it will take time for smaller, independent airlines to establish themselves, but low-cost services have already started. Ryanair (Ireland), Easyjet (UK), Air One (Italy) and the Brussels-based Virgin Express have already begun to challenge the dominance of established national carriers.

Will business travellers use these flights? "Our clients are very, very interested in them," says Mr Davis. Virgin Express has attracted particular interest, he says, because one of the routes on which it operates is London-Brussels, one of the most important in Europe.

While the smaller airlines are trying to win customers, the large carriers are forming trans-continental alliances. British Airways has close ties with Qantas of Australia and has announced that it wants to form an alliance with American Airlines. Lufthansa of Germany, United Airlines of the US, Scandinavian Airlines System, Thai Airlines and Air Canada are strengthening their alliance.

These alliances should, in theory, present companies with the opportunity to cut costs by concluding global deals with one of the partnerships – winning lower fares in return for instructing employees around the world to fly with one of the alliance partners.

In practice, says Mr Davis, companies are finding it hard to conclude such deals. The airlines within an alliance want to be sure that they will win their fair share of such a contract. And many multinationals are federations of national companies. Each of the companies has its own profit and loss account and many are resisting giving up the right to control their own travel budgets.

Mr Davis says some national companies within multinational organisations believe they can get better deals by concluding their own agreements with local airlines and travel suppliers – and they often can do so.

Many business travellers, however, have found a way of taking advantage of the worldwide airline alliances. One of the common features of airline alliances is that frequent flyer points can be transferred from one carrier within the grouping to another.

An experienced European passenger travelling in the US and Asia will often try to fly with an airline whose frequent flyer points are accepted by the alliance partner in Europe. If employers are still unsure about how to take advantage of the growth of airline alliances, their staff have fewer problems doing so.

IN THIS SURVEY

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Travel management

VAT money down the drain

Many companies do not realise that they can reclaim some tax, says Scheherazade Daneshkhu

Business travel accounts for a large proportion of a company's costs, often ranking third after buildings and salaries.

Some companies reduce the amount of travel their employees can undertake in an effort to keep the bill down, while others brace themselves for loud grumbles by booking staff into cheaper hotels and downgrading the class of air travel.

However, many companies are still unaware that the cost of business travel within Europe can be reduced by reclaiming value added tax, which can account for as much as 25 per cent of travel bills.

Mr John Pugliese, chairman of the International VAT Association, believes that the majority of businesses are throwing away money by failing to reclaim of VAT.

The refund system is based on European Union directives which broadly entitle foreign travellers to reclaim VAT on business travel. The rules apply both to travellers from one EU state to another and to those from outside the EU travelling within it.

VAT can be reclaimed on hotels, petrol, meals, car hire, conferences, trade fairs and exhibitions; transport; and professional fees. The level varies within Europe between 15 and 25 per cent; there are also differences in practice.

France, for example, will not give VAT refunds on hotels or car rental, whereas Germany will. Mr Alan Buckett, VAT partner at Binder Hamlyn, the accountant, says that the most generous countries are the UK, the Netherlands and Germany, while the stingiest are France and Italy.

Some countries outside the EU also make VAT refunds. Mr Jon Harris, director of business development at London-based Meridian VAT Reclaim, one of the largest of a growing number of cross-border refund services, says that the most recent addition to the list of countries giving VAT refunds to foreign businesses include Korea and Canada.

● **How to reclaim VAT**

If a company based outside Germany, for example, is sending employees to the country on business, it is entitled to reclaim the 15 per cent VAT paid on hotel bills, car hire and restaurants.

The invoice must be made out in the company's name and not that of the individual – this serves as proof that the cost was incurred for business rather than pleasure.

Many companies use business travel agents to arrange their travel and make bookings. Such travel is usually made out in the agent's name, but only Germany, the Netherlands and Sweden will make refunds to business travel agents, according to Mr Pugliese, who is also senior partner at VAT Refund Services.

However, the Guild of British Travel Agents says that many agents either arrange for the invoice to be made out to the company or handle the reclaim themselves.

A common practice which can lead to mistakes, according to Mr Harris, can occur when a company arranges for its local office to make bookings on its behalf. The local office must ensure that the invoice is made out to the head office abroad and not to the local subsidiary otherwise the VAT cannot be recovered.

The invoice should also show the VAT in both percentage and value terms.

When the travellers return home they hand over their invoices to their finance department. It must then complete the reclaim forms in the language of the country from which it is reclaiming VAT – German in this example. It must also provide proof that it is a company by presenting a VAT registration certificate.

The company must then send the papers to the tax authority of the country visited which will send the refund sooner or later depending on the country in question.

The paperwork, the need to complete the forms in foreign languages, differences in national rules and continual changes in the law regarding VAT reclaims can conspire to make the process offputting. "A lot of businesses just don't bother to claim the VAT probably because it's complicated," says Mr Buckett.

That has spawned the growth of the specialist VAT reclaim companies over the past 10 years; most accountancy firms also offer reclaim services.

Most specialist companies work on a contingency fee basis. They will take on a case and reimburse typically 80 per cent of whatever is recovered. If they do not succeed in reclaiming VAT, there should be nothing to pay.

VAT reclaims **

All figures expressed as %

Country	Car rental	Conferences trade fairs exhibitions	Hotels	Meals	Petrol	Professional fees	Training courses	Transport
Austria	[illegible]	20	20	10	20	20	20	[illegible]
Belgium	21 *	21			21 *	21	21	6
Denmark		25	25	25		25	25	[illegible]
Finland	22	22	6		22	22	22	22 *
France		20.6				[illegible]	20.6	
Germany	15	15	15	15	15	15	15	15 *
Greece		18	[illegible]			18	18	
Ireland		21				21	21	n/a
Italy		19				19	[illegible]	
Luxembourg	15	15	3	3	15	15	15	3
Netherlands	17.5	17.5	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Portugal		17				17	17	17
Spain	16	16	[illegible]	16	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	25 *	25	12	25	25 *	25	25	25 *
UK	17.5	17.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

*Subject to restrictions. **Rates listed are standard rates only; some countries have multiple rates. Source: VAT Refund Services

Value added tax on car rentals booked for business use can be reclaimed in several European countries

Agency fee system has its doubters

There are mixed feelings about moves away from commission and rebate, says Amon Cohen

Travel management has proved no less immune to the vogue for process re-engineering than any other sector of corporate life. As part of that strategic reappraisal, several new orthodoxies have become as fixed as the preconceptions they sought to replace.

Chief among these is the dictum concerning the remuneration of one's business travel agency: commission and rebate bad, management fee good.

Until five years ago, a travel agency earned its money from the commission paid by airlines and providers of other travel services. The agent passed some of this commission on to the client in a rebate as a loyalty bonus and as a reward for generating the business.

Since then, encouraged by their agents, many clients have migrated to a management fee. Under this arrangement, the agent passes all commissions on to the client, who pays the agent's operating costs plus a consultation fee for managing its travel requirements.

The argument is that this ensures the agent works for the client and not the airline, and is being given an incentive to find the best savings. Under commission and rebate, the more a client spends on travel, the more the agent earns.

The swing towards fees has accelerated since airlines started to reduce their commissions – a trend which began in the US in 1995 and arrived in Europe this year with cuts by Lufthansa, SAS and KLM. With the airlines giving away less agents found their incomes diminishing, and that a restructuring of their remuneration system was fast becoming essential.

One supporter of commission is Ms Joan Scales, travel manager for the Irish Times and a board member of the Institute of Travel Management of the UK and Ireland.

She argues that clients are receiving a good service from their agent on the commission system, which pays for extras such as out-of-hours services and management information reports. Under a fee system, these extras command additional charges.

"Travel agents like fees because they have a guaranteed income," says Ms Scales. "In a fee-based environment, commission may not cover expenses."

Mr David Radcliffe, managing director of Hogg Robinson BTI, the UK's second-largest agency, understands misgivings about fees but believes it is the inevitable direction for the corporate travel market. Sixty per cent of his company's income now comes from fees.

"If a client is expecting to save money and is looking for consultancy, by whom would it feel more comfortable its agent was paid – the client or the product supplier?" asks Mr Radcliffe.

He adds that clients do not necessarily pay a flat fee to the agent but can choose from a menu of services and pay per transaction. This includes services not normally offered in traditional commission-based relationships, such as expense management consultancy and video-conferencing packages.

Also, says Mr Radcliffe, clients can make sure a fee system works to their advantage by building in incentives for the agent which are only paid if it delivers on service and savings promises.

This theme is developed by Mrs Maria Lilja, European head of business travel for American Express, which is moving all of its clients in the UK, Germany, the Benelux countries and Scandinavia off commission and rebate. Clients and agents need to start focusing on what they can save together but an agent's remuneration must be tied more specifically to what it provides, she argues.

But Mr Robert Daykin, travel manager for leisure-to-home shopping company Littlewoods International, questions the assumptions on which the fee system is based. Until commissions are scrapped altogether and air fares are sold direct to the client, he believes agents will still be working for the carriers.

"Management fees are another way of cutting up the same cake because the agent is still receiving commission from the product providers," says Mr Daykin. "I cannot find any genuine, absolute advantage to the corporate [client] if it is taking a strategic purchasing perspective."

Mr Daykin recently put his company's travel agency out to tender and decided after comprehensive analysis that there was little to choose between the cost of commission and rebate on the one hand and fees on the other. Add to that his belief that clients on fees are more exposed financially and saddled with unnecessary extra administration, and he decided to stick with commissions.

Business Travel, every monday in the FT

NEWS IN BRIEF

Web sites worth checking out...

The latest review by IMRG, the Interactive Media in Retail Group (www.imrg.org) ranks travel web sites, deciding that some of the best are:

● The Cayman Islands Tourist Board (www.caymans.com) which includes calendar of events, short-term weather forecasts and an accommodation guide together with links to various hotels for rates and further information;

● The Australian Tourist Board (www.aussie.net.au), a comprehensive site for potential visitors with a good search directory;

● Where magazines (www.wheremags.com); the London service is specifically singled out, but the whole site is a good quick overview to selected cities – mostly in the US, but also including the UK and French capitals. Good basics on car rental and currency calculators, but the 'Lodging' section is still under construction;

● Executive Women's Travel Network (www.delta-air.com/womenexecs) is a joint effort by Delta Air Lines and American Express, which is dedicated to the growing female business traveller market. This site includes everything from packing tips to safety advice for independent women travellers. The online reservations service is available only inside the US at the moment;

● Ireland Travel (www.ireland.travel.ie) is the official site of the Irish Tourist Board, a personalised brochure facility and a good searchable accommodation database.

Guides due on the Net

An Internet version of Bradman's Business Guides, written specifically for the business traveller, is due to be launched in summer this year. The guides cover Europe, North America, the Middle East and Asia. They are written by journalists based in the destinations covered but also include contributions from resident business professionals, who offer tips on where locals eat, meet and enjoy themselves, and from business travellers and travel management companies. Hard-copy versions of the guides, priced at £9.95, are available from Mononmax, 38-40 Vanston Place, London, SW6 1AX. Tel: +44 171 381 4442; fax: +44 171 381 8007 (fax).

Keeping in touch

While mobile technology computer hardware developments have given "road warriors" the tools to stay in touch with their home office, the frustration or expense of being far away from your individual Internet Service Provider can still be a drag.

One recent development that may be of use to business travellers is HomeGate, an Internet roaming service that, through a series of alliances, allows travellers on the road to have inexpensive, local access to the Internet and their e-mail from almost any telephone in the world.

Subscribers to the service use their existing e-mail addresses and passwords, and the company says it currently has more than 1,000 points of presence (local access points) in more than 690 cities and 160 countries. HomeGate provides a 24-hour help desk, and software is free from the company's home page (www.homegate.net) where information on their service and tariff of charges is also available.

Comments, suggestions welcome

The next issue of The Business of Travel is scheduled to appear on September 4 and will focus of the Middle East.

If you have any comments or suggestions, please write to: The Business of Travel, FT Surveys, Number One Southwark Bridge, London SE1 9HL. Fax: +44 (0)171 873 3197.

● *Contributors: Steve McGookin and John Perry*

Air travel

Low-cost carriers test Europe's open skies

Pasengers have yet to reap the full benefits of deregulation, writes **Michael Skapinker**

When Mr Stelios Haji-Ioannou started the low-cost airline Easyjet, in 1995, he expected nearly all his passengers to be leisure travellers.

His advertising said that flights between London's Luton airport and Edinburgh or Glasgow would cost as little as a pair of jeans – starting at £29 one way. In fact, about one-third of the passengers on these routes are business travellers.

As Mr Haji-Ioannou has discovered, many business travellers in Europe resent paying fares far higher than those for equivalent distances in the US.

A business traveller who wants to fly between Frankfurt and Berlin and who wants to buy an unrestricted economy return ticket – which allows the traveller to change flights at short notice and does not impose conditions such as a Saturday night stay-over – with Lufthansa, the German carrier, can expect to pay the equivalent of about $480.

An unrestricted British Airways economy return ticket between London and Brussels will cost about $450; a United Airlines economy return ticket between Los Angeles and San Francisco would cost $208.

Easyjet – which now flies to Amsterdam, Nice and Barcelona as well as to Scotland – is not the only airline which believes Europeans are ready for lower fares. Ryanair, of Ireland, is one of Europe's most experienced low-cost carriers, flying from its home country to the UK.

Virgin Express, owned by Mr Richard Branson's Virgin group, flies to several European destinations from its base in Brussels. Air One, an Italian carrier, is challenging Alitalia, the national airline, on the Rome-Milan route.

These new services have been made possible by an aviation liberalisation programme which the European Commission has been pursuing for the past decade. The Commission took its cue from the US, which began deregulating its air market in 1978, resulting in lower fares and the establishment of innovative carriers such as Southwest Airlines.

The Commission began by liberalising air fares and then by allowing any airline within the European Union to fly to any airport in another EU country. On April 1 the liberalisation process was completed, allowing any EU airline to start domestic services in another member-country.

Sir Michael Bishop, chairman of British Midland, one of the Europe's most successful independent airlines, has predicted that this last reform would be an anti-climax. Few airlines would rush to establish domestic services in other countries.

One of the reasons for this, he says, is that they would look at the difficulty BA has had establishing domestic services with subsidiaries in France and Germany. The UK carrier set up the services several years ago in anticipation of the latest EU reform.

BA's domestic services in France are operated by two airlines it has acquired – TAT and Air Liberté. In Germany, BA's domestic services are run by its Deutsche BA unit.

While BA is Europe's most profitable airline, it has yet to make money from its French and German domestic operations. It faces strong competition from the two national airlines, Air France and Lufthansa. Sir Michael says that if BA cannot make a success of these services, other airlines are unlikely to do so.

Ryanair already operates domestic services in the UK, flying between London's Stansted airport and Prestwick in Scotland. But Mr Tim Jeans, Ryanair's commercial director, says that while the UK was a familiar environment for his company, other European domestic markets would be more difficult to penetrate.

But Mr Haji-Ioannou believes that, in the longer term, European domestic markets present an attractive option for low-cost carriers.

People tend to travel more readily when they are visiting family and friends, who are likely to live in their own country. Additionally, business links between cities in the same country are strong, resulting in a high level of traffic between, for example, London and Glasgow, Madrid and Barcelona or Rome and Milan.

Mr Haji-Ioannou is considering launching domestic services in Greece. The Athens-Salonica route is one on which he thinks he might be able to challenge Olympic Airways, the national carrier. He might also consider flights from the capital to Crete, Corfu and Rhodes.

There are still obstacles to running domestic services in Greece and many other EU countries, Mr Haji-Ioannou says. One problem is the monopoly that national airlines often have over ground handling. The UK is one of the only EU countries with independent ground handling that smaller airlines can use.

Mr Haji-Ioannou and other independent airline managers agree that while Europe's skies might be formally open, it will be some time before travellers can benefit fully.

Codes can be confusing

Airline partnerships proliferate, but not all travellers are happy. **Michael Skapinker** reports

Mr Michael Johnson, a London-based public relations consultant, recently arrived at Brussels airport to catch his Sabena flight home. Boarding the aircraft, he was astonished to discover that it was not a Sabena flight at all. Instead, the aircraft bore the livery of Virgin Express, part of Mr Richard Branson's group.

Many travellers have had similar tales to tell in recent years. Some have booked their ticket with one airline and found themselves changing aircraft, halfway through their journey, to one operated by another carrier.

The passengers' experiences are the result of the proliferation of airline alliances around the world, and the "code-sharing" that goes with them.

Code-sharing is when airlines sell tickets on flights operated by another carrier. The flight carries the two letter flight codes of both carriers. This means that if you book a flight with Airline A, you could end up flying with Airline B, but your ticket will show Airline A's flight codes.

Many people have condemned these arrangements, describing them as a fraud on the passenger. "We think code-sharing is inappropriate because it is based on misleading consumers that they are buying one thing while selling them another," said one executive. As long ago as 1984, two companies described the practice as "deceptive".

BA and American are seeking approval for a code-sharing deal that would enhance each other's operations

These critics were not consumer rights advocates. The executive was Mr Robert Crandall, chairman of American Airlines, speaking to the American Chamber of Commerce in London in 1995. The two companies which attacked code-sharing were British Airways and KLM, the Dutch airline.

KLM has since concluded a code-sharing agreement with Northwest Airlines of the US. BA and American have applied to regulators in the US and Europe to start a code-sharing arrangement of their own.

In fairness to Mr Crandall, his airline was one of the last to attempt to enter the code-sharing business, following the setting up of alliances by dozens of other carriers.

There are several prominent alliances, apart from that between KLM and Northwest. Delta Air Line of the US has alliances with Swissair, Austrian Airlines and Sabena of Belgium.

Lufthansa of Germany is part of an alliance which includes United Airlines of the US, Scandinavian Airlines System, Thai Airlines and Air Canada.

Virgin has abandoned its code-sharing agreement with Delta in favour of an alliance with Continental Airlines, also of the US. Virgin Express, Mr Branson's low-cost carrier, operates flights on behalf of Sabena between Brussels and London's Heathrow airport – hence Mr Johnson's annoyance.

In spite of earlier opposition from some of the carriers, the airlines now argue that these arrangements are good for consumers. The alliances mean that airlines are able to offer their passengers flights to destinations that they did not serve previously.

Take for example, a European business traveller who wants to fly to a small town in the US. His or her national airline will almost certainly fly to a large US city, but not to the smaller centre. Now, the European carrier would be able to take the passenger to a large US city for transfer to an internal flight operated by the European airline's US alliance partner.

The alliance partners can co-ordinate their flights so that the passenger suffers less delay and inconvenience. Alliance partners also seek to share the same airport terminals so that passengers do not have far to walk when changing flights.

BAA, the UK airports group, has said that if it wins planning approval for a fifth terminal at Heathrow, the building will be occupied by BA and its alliance partners.

BA already has an alliance with Qantas of Australia – in which it holds a minority stake – and hopes to have its link-up with American by then. The airlines in the alliance led by Lufthansa and United will all operate from Heathrow Terminal One.

The advantage to the airlines is that passengers are far more likely to transfer to flights operated by an alliance partner. But do these arrangements really benefit customers?

Some travel agents remain to be convinced that they do. Mr Tony Hughes, chairman of the UK's Guild of Business Travel Agents and managing director of P&O Travel, a business travel agency, says: "I think the jury's still out.

"It is certainly good for the airlines, but we're concerned about whether it's going to cut down on competition. Take the United-Lufthansa alliance. If you want to go from Germany to America, the alliance has taken one of the major players out of the marketplace."

Mr Hughes believes the BA-American alliance could benefit customers, but only if more rival airlines are allowed to fly into Heathrow. At present, only four airlines - BA, American, United and Virgin - are permitted to fly to the US from the airport.

Air travel

Careful planning can bring miles smiles

Passengers – and carriers – are becoming more sophisticated about loyalty schemes, writes **Amon Cohen**

There is good news for Air Miles collectors wanting to fly between the UK and Berlin or Copenhagen. For reasons no one at Air Miles quite understands, you are more likely to find a free seat to these destinations than any others in the British Airways route network.

Many mileage collectors have known the frustration of not being able to redeem their points on the route they want at the time they want. However, BA and American Airlines, which own two of the world"s largest frequent-flyer schemes, both insist that mileage can be used on every flight they operate.

The number of seats allocated for awards collectors varies according to the route and the time of the day, week and year. As a rule of thumb, though, an average 8 per cent of passengers on flights in the US are paying with mileage points. In the UK, 500,000 of almost 26m BA pasengers in 1996 were using Air Miles.

The most popular destinations chosen by Air Miles collectors remain those which require the fewest points, but that is starting to change.

"The programme has matured," says Ms Carol Mickleburgh, manager of BA's Executive Club which awards Air Miles to its members. "When it started, people wanted to spend their mileage right away, which caused some of the problems of seats not being available.

"We have now learned how to manage the system better, and there are more opportunities to redeem Air Miles. People are also saving up more miles and going to more distant destinations, although the nearer ones remain the most popular."

To ensure they can fly to the destination they want, mileage collectors need to think differently. "Our members tend to think of redemption seats in the same way that they book their business travel," Ms Mickleburgh says. "That means they often want to go at the last minute with their family in the school holidays. If they were to think of it in the same way that they book their holidays – that is, well in advance – it would make matters easier for them."

Air Miles recommends booking eight weeks in advance, while American Airlines' managing director of marketing planning and consumer research, Mr Patrick O'Keefe, recommends 12 weeks for his carrier.

Not surprisingly, Air Miles' most popular days of the week are Friday and Sunday, while Christmas and Easter book up very early.

Some airlines help to manage their mileage redemptions by offering passengers incentives to fly at certain times of the year. Air Miles operates a programme called Shrink the World that reduces the mileage to different zones during their off-peak seasons. Los Angeles, for instance, costs 10,500 miles during the peak quarter of July to September but is cut to 3,900 in April to June and 2,900 from October to March. The best reductions to the Caribbean and the Indian Ocean are April to June, while there are discounts to Australasia all year round other than January to March.

Air Miles also promotes occasional tactical offers. From January to March this year, for example, Madrid was reduced from 1,550 to 550 miles.

American offers reductions, says Mr Tony Clarke, managing director of the consultancy International Customer Loyalty Programmes, for flying from Europe to the US between October 15 and May 15 on its AAdvantage programme. For those who have no latitude over when they fly, it has a cunning scheme called Any Time: American will give members literally the last seat in the cabin if they are prepared to pay double mileage.

At the moment, BA allows up to 10 per cent of passengers on any one flight to use Air Miles, but Mr Tony Clarke thinks this figure will gradually be relaxed as it moves from being an expensive marketing programme to a self-sustaining business.

"Rather than being used to attract and retain customers, Air Miles has become a profit centre in its own right, deriving significant revenue streams from selling to third parties," says Mr Clarke. "It used to be that when the percentage of passengers using Air Miles exceeded 10 per cent, it began to erode their yields. Now they are relaxing the limits because the yield Air Miles passengers bring may compare favourably with those from some of their promotional fares."

If Mr Clarke is right, Air Miles collectors may not be spending their weekends in Copenhagen and Berlin after all.

Cautious take-off for ticketless flying

Airlines are trying to assess the practical problems of electronic booking, says **Roger Bray**


Airport queues could be greatly reduced if ticketless travel becomes more popular

When American Airlines' pilots threatened to go on strike recently, thousands of passengers holding ticketless reservations must have felt an extra twinge of anxiety. Not only were their travel plans plunged into uncertainty – they had no tickets to wave at the ground staff of alternative airlines.

In the event they need not have worried. Even before President Bill Clinton intervened at the last minute to stop the strike, American announced that it was preparing to inform other carriers of all reservations and to book seats to ensure they made it to their destinations.

But, to quote a rival airline executive, it had been "a defining moment" in the development of electronic ticketing.

It was not enough, perhaps, to undermine the confidence of the growing number of passengers who now book that way, but it was certainly another upward turn in the industry's learning curve. It raised at least one awkward question. Imagine turning up at a remote airport in some developing country to be confronted by similar industrial action. How would you manage without documentary proof of a reservation?

Ticketless travellers book by credit or airline card, either direct with the airline or through a travel agency. They use the same card to pick up a boarding pass, either from an airport machine or, if they are carrying hold baggage, at the check-in counter.

American's narrowly-avoided strike does not appear to have shaken its faith in the idea. Like many other US and European carriers, it has offered electronic ticketing on its domestic network for some time. This month it was due to extend it to two North Atlantic routes from Frankfurt, to Dallas-Fort Worth and to Chicago.

Competitors will watch the experiment very carefully. Most are approaching the introduction of ticketless travel on international routes with extreme caution. In Europe, low-cost carriers such as the UK's EasyJet have led the way. Bigger airlines have begun to experiment gingerly.

Lufthansa, which had been a pace-setter on domestic services, is now testing the system on German-originating passengers travelling to Paris Charles de Gaulle and London Heathrow. The airline says it will be difficult to extend it to passengers booking outside Germany until more travel agents have access to the Amadeus computer reservations system.

Scandinavian Airlines (SAS) is offering ticketless travel between Stockholm and Oslo, and was due to extend it last month to flights between the Swedish capital and Copenhagen. But as yet it is available only to frequent customers buying the airline's SAS Travel Card.

Last summer, another leading US carrier, United Airlines, seemed confident that, by now, it would have been ready to launch international trials. It appears less bullish. If United goes ahead at all this year, it will not do so until winter.

The industry's reluctance stems from practical headaches. The first hurdle was the Warsaw Convention, which obliges airlines to issue printed conditions of carriage to passengers before they board international flights. This is no longer seen as an overriding problem. "We can always fax them, for example," says one airline spokesman.

Then there was the inconvenient, if occasional, tendency of US immigration officers to demand a ticket as evidence that an arriving passenger intends to leave the country again. Eventually they should be able to tap into airline databases.

In the short term, American Airlines anticipated that the US immigration and naturalisation service would agree to accept printed itineraries and receipts instead, though the need to issue them will dilute the benefit of an otherwise paperless transaction.

An alternative solution may be for carriers to set up desks airside of immigration counters, so that those few passengers who are required to produce such evidence can have a ticket issued with minimal delay.

The broader issue is that of customer acceptance. Although United, for example, says some 40 per cent of eligible customers already fly without tickets on its domestic network, the notion that this heralded the end of the conventional flight coupon has receded.

For the time being, most ticketless passengers will face added delay and frustration if they miss their flights. Instead of simply turning to the airline with the next available flight, they will need to have a ticket issued by the carrier they booked with.

There are two reasons for this. First the airlines' computer reservations systems probably will not be able to "talk" to each other; second, no universal system has been devised yet to switch payments by ticketless travellers from one carrier to another.

While none of these obstacles appears insurmountable, most airlines accept that some passengers may always feel more comfortable with documentary proof of their reservations.

British Airways claims that during trials on domestic routes, four out of five passengers flying without tickets said they would not hesitate to do so again. Those who were less enthusiastic were generally infrequent or older travellers – and those unsure of new technology. Three-quarters said check-in was reduced.

BA claims passengers using machines can complete the purchase process in under one minute.

In March, the airline extended electronic ticketing to all its domestic routes – including some operated by the airline's franchise partners under the British Airways Express brand. Customers may either book direct, paying by credit card, or through travel agents. If they are returning within 24 hours, the machine will issue outbound and homeward boarding passes simultaneously. It also allows them to view a cabin plan, changing seats if one they prefer is available.

BA says it may even provide machines in London Underground stations and airport car parks. But the airline says it has yet to set a timetable for trials on routes to continental Europe.

It is impossible to ignore the parallel between BA's caution, which is typical of the industry's current stance, and the wary way in which most carriers are approaching the Internet. Like reservations via the World Wide Web, international ticketless travel looks set to explode. But not just yet.

NEWS IN BRIEF

By Roger Bray

Airlines get tough on cabin baggage

There are increasing signs that airlines have become fed up with passengers who try to get away with taking too much hand luggage on board. British Airways is cracking down on the size of bags. In first or club class, suit holders must not be more than 20 centimetres thick when folded, for example. And Dutch carrier KLM has formalised limits in business class, imposing a maximum of one suit holder or overnight bag with a maximum weight of 10 kilograms, a briefcase or other bag up to eight kilos, a laptop, umbrella, camera and reading material. The main bag must not exceed 55cm x 35cm x 25 cm. And to ensure the rules are not abused, it is providing special moulds to measure cabin luggage at all the airports it serves.

Jo'burg connections improve

European airlines continue to develop code-sharing agreements with South African carriers as a means of providing convenient onward connections from Johannesburg. KLM has linked with Sun Air, which will fly passengers arriving from Amsterdam on to Durban and Cape Town. Belgium's Sabena has tied up a deal with the recently-formed airline Nationwide, which is providing passengers from Brussels with connecting services to same two cities and to George. From August 4, destinations will also include Port Elizabeth, and next winter Nationwide will add East London.

Montego Bay becomes hub

Air Jamaica is to use Montego Bay as the hub airport for all its routes. From June 15 all services from the US will be scheduled to arrive there by 10.30 am, allowing connecting flights to Antigua, Barbados, St. Lucia, Turks and Caicos, Grand Cayman and Nassau. The carrier is also discussing code-sharing deals with several other Caribbean airlines in the hope of providing connections to another 21 islands.

No rush to eat

Coast-to-coast first and business class passengers with American Airlines can now eat when they like. The airline has introduced a "dine on request" service on transcontinental flights to and from New York, Boston and Miami. It is also allowing travellers to "customise" their main courses with a range of different seasonings and sauces.

www.reservations.shortage

More than 100 airlines have sites on the worldwide web. But so far relatively few are taking reservations via the Internet. The most recent survey by the International Air Transport Association identified only 11, four of them in the US.

Quick check-in

Norwegian carrier Braathens has introduced check-in at the departure gate for international passengers with hand baggage only at Oslo's Fornebu airport.

Paris switch

Two US carriers, Delta and Continental, have shifted their Paris flights from Orly Airport to Charles de Gaulle.

New India routes

Fast growing Indian domestic airline Jet Airways will launch three new routes from Delhi on June 1 – to Madras, Lucknow and Varansi (formerly known as Benares).

Brussels link for Humberside

A new service linking Britain's Humberside International Airport with Brussels is due to start next month. Western Regional & Jet Airlines UK will operate two flights each week day using 19-seat Beech 1900 aircraft.

Europeans keep big ambitions

Michael Skapinker looks at the arguments for and against double-deckers in the sky

When next you walk down the aisle of a cavernous Boeing 747, look around at your 400 fellow passengers – and imagine flying on an aircraft with 200 more people.

The world's aircraft makers and some airlines have been imagining such aircraft for years. Instead of having a small upstairs section, as the Boeing 747 does, they would be fully-fledged double-deckers.

The original double-deckers – London's red buses – would look like children's toys beside them.

The world's two biggest aircraft makers, Boeing, of the US, and Airbus Industrie, the European consortium, say there is no technical obstacle to building such aircraft. There is also no reason, the two manufacturers say, why the aircraft could not operate economically and successfully.

So can business travellers expect to fly on these "super jumbos" in the next decade? There are certainly crowded routes on which they could be used – Los Angeles to Tokyo, or London to Johannesburg.

A year ago, both manufacturers were insisting that the aircraft would be built. Now, however, the "super jumbos" are the cause of angry arguments between Boeing and Airbus.

Boeing said earlier this year that it had shelved plans to build large aircraft. The problem, it said, was that while the aircraft could be built, too few airlines were interested in buying them. The US company said it could not see how it could make a return on the money it planned to spend on the aircraft.

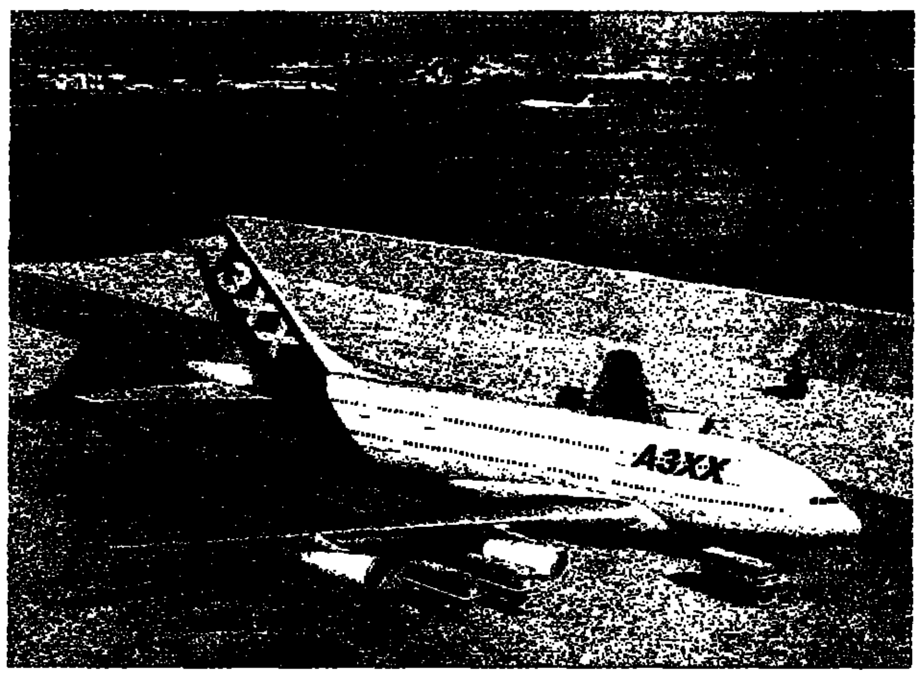
Boeing originally thought it could develop a large jet for $5bn. The cost could be kept relatively low because the new aircraft would be based on the 747, which was first developed 30 years ago.

During its discussions with airlines, however, Boeing discovered that this would not be enough.

The airlines wanted the new aircraft to be substantially better than the 747. They wanted the large jet to have the latest fly-by-wire systems, which allow wing and tail surfaces to be controlled electronically rather than mechanically.

This would have pushed the cost of developing the aircraft to $7bn. Even then, airlines which had expressed an interest, such as British Airways and Singapore Airlines, failed to place orders. Boeing had been expected to announce launch customers for its "stretched" 747 at last year's Farnborough air show. It failed to do so. In January, it said it was calling off the project.

Boeing says there is a demand for no more than 480 "super jumbos" in the next 20 years. Airbus disagrees. It is pressing ahead with plans to build its own large aircraft, which it has provisionally called the A3XX.



Shape of things to come: a computer-generated impression of the Airbus A3XX dwarfs buses

The consortium – which is owned by Aerospatiale of France, Daimler-Benz Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain – is considering building a family of large aircraft, the smallest of which would carry just under 500 passengers and the biggest more than 600.

Airbus says that Boeing vastly underestimates the potential demand for large aircraft. The European consortium says air traffic will triple in the next 20 years and that environmental constraints mean that there will not be enough new airports or runways to cope. The only way in which all this new traffic can be accommodated, Airbus says, is if people travel on larger aircraft.

In the next 20 years, Airbus says, airlines will need 1,440 aircraft with more than 400 seats. More than half of those aircraft, Boeing says, will go to airlines in Asia-Pacific and China.

If this new aircraft is built, will travellers enjoy flying on it?

It is likely to be more comfortable than earlier generations of aircraft – most new models are. The most recent aircraft development, the Boeing 777, has a more spacious feel than earlier aircraft. A new large aircraft will almost certainly boast advances in interior air quality, passenger entertainment systems and seat comfort.

A greater problem for passengers might be what happens on the ground and while getting on and off a large aircraft. Check-in queues for a crowded Boeing 747 flight are trying enough. So are boarding and waiting for luggage to emerge after disembarking. How much worse will these problems be with 200 more passengers?

New developments in the airline industry, such as ticketless travel, should help to ease congestion. Plans by some airports and airlines to increase the number of passengers checking in at their hotels, at connecting railway stations or at car parks could also reduce crowding.

But technology has a way of failing. How will airlines and airports cope with 600 passengers when the check-in computers crash or a luggage conveyor belt jams?

These problems belong to the future. Airbus's first task is to find some buyers for its planned aircraft.

Corporate charters prove their worth in many ways

Companies are discovering the benefits of hiring aircraft, writes **Amon Cohen**

Market-makers are not the only British brokers prospering from the recent rash of privatisations and flotations around Europe. The continent's two largest corporate aircraft charter brokers are both based in the UK.

They and their rivals have created a £100m industry out of finding aircraft for corporate clients, often to jet lawyers and accountants around Europe on what are inappropriately termed "financial roadshows". Lasting no more than five days and taking in as many as 20 destinations, private air travel is the only way to conduct these lightning tours of Europe's financial capitals.

Hunt & Palmer, the second-largest broker, says it handled one or two such "roadshows" per year in the mid-1980s: in 1996, it organised more than 50.

One example earlier this year was the flotation of a Spanish telecommunications company. After using a scheduled carrier to travel from Madrid to London on a Sunday, the company's executives were joined by a team of British financial and legal professionals on Monday morning for a charter flight to Geneva.

From there, the group called at Zurich, Amsterdam, Milan, Stockholm and Dublin before returning to London on Wednesday evening.

The client did not charter the private jet because it was cheap – Hunt & Palmer says the bill was around £50,000. But for clients of this nature, saving on travel bills is not the priority.

"Time is the most precious commodity that the top-level executive has," says Mr Alan Marler, director of Air London, Europe' s largest charter broker. "A company cannot buy any more hours in an individual's day, so it has to be more efficient and resource accordingly. Private air travel, in a strategic situation, gets the right people where they need to be, when they need to be."

There are several reasons why corporate charters are faster than scheduled traffic. Most obviously, the client can construct its own timetable. Furthermore, if a meeting overruns, the aircraft will wait on the tarmac until the client is ready.

There is also the added convenience of using airports that do not operate scheduled services. Not only can smaller airports be nearer the site the client is visiting, but there are likely to be fewer air traffic control delays. Clearing immigration is also much faster.

Security is another advantage. Colleagues can hold in-flight meetings without being overheard, and can fly to obscure destinations with no fear of rivals discovering where they are visiting.

There are also public relations benefits, according to Nissan's product affairs manager, Mr Graham Biggs, who recently flew a group of journalists to Lisbon.

"It makes people feel warm and friendly and it also makes it a Nissan flight," says Mr Biggs. "There were specially printed headrest covers, and the captain even gave a welcome on behalf of Nissan."

Hunt & Palmer says that choosing between a jet and a turboprop is a question of balancing time against price. Turboprop can be 20 to 25 per cent cheaper on short runs and 15 per cent cheaper on long runs, but is 10 to 15 minutes slower per hour.

As an example of price differences, Hunt & Palmer charges £3,750 for a routing of London City-Rotterdam-Luxembourg-London City in a 7-8 seat King Air 200 (turboprop), or £4,900 in a 5-8 seat Cessna Citation (jet).

If, however, money is no object, there are pricier alternatives. According to one – possibly apocryphal – story circulating the charter industry, an Arab potentate recently hired Concorde to take his wife across the Atlantic to hospital in London, while a Boeing 747 followed behind with her luggage. The cost? A mere £250,000.

Safety focuses on raising standards

Roger Bray looks at some grim accident statistics, and sees what progress is being made

Flying on business for your employer, you might be forgiven for thinking, merits danger money. Take out disasters caused by terrorism, and last year saw the highest annual aviation death toll on record.

Even with bombings and hijackings included, it was the second worst. The list was made even more depressing by the failures it highlighted and the controversies it raised. The sole, if slight, comfort was the absence of any common cause.

The crash of a Valujet DC-9-30 in the Florida Everglades a year ago called into question the effectiveness of safety monitoring by the US Federal Aviation Administration.

The pilots of a Peruvian airliner which went down in the sea off Lima were deprived of information about height and airspeed because nobody spotted that adhesive tape, which had been stuck over a crucial vent during maintenance, had not been removed before take-off.

The mid-air collision between a Saudi Arabian airliner and an Air Khazakhstan Ilyushin IL-76 near New Delhi focused attention on an absurdity which surprised many lay observers – that the former's altimeter provided information in feet, the latter's in metres.

The TWA Boeing 747 disaster off Long Island in July was thought, initially, to have been the work of bombers. But as evidence of sabotage proved elusive, the US National Transportation Safety Board has recommended measures to reduce the risk of ignition in fuel tanks which are empty of all but vapour.

Western experts appear to have shed none of their concern at the rash of new airlines which has sprung up in the former Soviet Union. Once there was only one – Aeroflot. A recent survey showed there are now more than 80 operating scheduled services alone. This has raised the question whether the relevant regulatory authorities have sufficient resources to subject the safety procedures of so many fledgling carriers to thorough checks.

Travellers to Africa may also be feeling fresh apprehension. Such is the lamentable lack of radar cover over much of the continent that one senior pilot recently likened flying across it to crossing a busy highway "tapping a white stick".

Some airliners have TCAS (traffic conflict avoidance systems) which are designed to alert pilots if another aircraft is too close. But while they are mandatory in US airspace, airlines flying over Europe will not be compelled to use them until the turn of the century at the earliest, never mind those operating in developing countries.

On top of all this, a brouhaha has blown up over Brussels' insistence that common operational rules for European airlines must become EU law before they are adopted legally by member-states. But they cannot become EU law until they are available in all of the Community's working languages. This threatens a lengthy delay while all the hazards of translation are de-fused.

At the root of this problem lies the fact that Europe's Joint Airworthiness Authorities, whose 27 members are in any case not confined to the EU, has no legal status. Many observers feel it is high time they did.

Yet through this pall of gloom there are glints of optimism.

Before last year, which saw 1,840 deaths, the heaviest toll was in 1985 (1,801). However, 1985 was the worst ever if you incude terrorism. But as the magazine Flight International noted in its latest annual survey of safety, passenger traffic has increased by around 50 per cent in the intervening decade, so the statistical risk of dying in an air crash has diminished significantly.

The International Air Transport Association, which had set itself the goal of halving the number of crashes suffered by its members by 1995, as a milestone on the way to "zero accidents", says those involving turbo-prop aircraft has fallen steadily.

The International Civil Aviation Organisation – a forum for governments – has been despatching teams of experts to emerging and third world countries in a recently-launched drive to tackle poor standards.

Following criticism in the US that information on carriers subsequently involved in crashes had not been readily available to the public, passengers flying to and within the country can now check the safety records of US airlines on the Internet. Lapses of procedure or maintenance meriting fines of $50,000 or more are listed on a Federal Aviation Administration web site (www.FAA.gov).

The UK Civil Aviation Authority is reporting a real breakthrough in reducing the vulnerability of airliner fuselages to fire. Its research, conducted jointly with the FAA, was spurred by the 1985 blaze at Manchester airport, which killed 55 people on a British Airtours Boeing 737.

Fire is estimated to have penetrated the charter jet's hull in about 60 seconds. As a result of recent advances, experts believe, a fuselage could be made to hold out much longer.

The first step forward was the development by a British company of a cube-shaped furnace in which intense heat could be generated, avoiding the costly alternative of testing theories by burning old aircraft.

The second step was the discovery that a material called oxidised polyacrylonitrile fibre could offered significant benefits. Mr Nick Povey, who worked on the CAA's research programme, says: "This is very exciting. We have found this offers a tenfold improvement over typical insulation materials. They were giving in the region of 60 seconds protection: this will stay in place for about 10 minutes – and we are told it will cost only about 10 to 15 per cent more than exiting materials."

Diary

CONFERENCES AND EXHIBITIONS

JUNE

Date	Event	Venue	Contact
Jun 1-2	Franchising exhibition	Essen	+44 (0)181 742 2828
Jun 1-4	Pacific Telecoms Council seminar	Yokohama	+44 (0)171 237 9777
Jun 1-6	IUPT public transport conference	Stuttgart	+44 (0)171 237 9777
Jun 2	Latin America markets and settlements conf	Zurich	+44 (0)171 237 9777
Jun 2-3	Russian financial markets conference	London	+44 (0)171 237 9777
Jun 2-3	Your business and the Internet	London	+44 (0)171 237 9777
Jun 2-4	International pulp paper exhibition	Helsinki	+46 8 783 8800
Jun 2-6	Food-World Agro	Moscow	+7095 268 6671
Jun 3-4	Global business issue of technology conference	Brussels	+32 2 543 2100
Jun 3-5	International events trade show	Berlin	+49 30 38 30 66
Jun 3-5	Terminal operations conference & exhibition	Barcelona	+44 (0)171 412 0141
Jun 3-6	Caspian oil and gas conference	Azerbaijan	+44 (0)171 237 9777
Jun 3-6	Intl building control conference & exhibition	Harrogate	+44 (0)181 399 5860
Jun 4-5	Recruitment conference & exhibition	London	+44 (0)1264 850011
Jun 4-6	Chlorine '97	London	+44 (0)171 235 3681
Jun 4-7	Materials handling exhibition	Milan	+39 2 49 97 41 24 11
Jun 5-8	Catering forum	Southampton	+44 (0)181 332 2422
Jun 7-8	Self-build homes show	Chester	+44 (0)171 837 8727
Jun 9-12	Manufacturing exhibition	Moscow	+44 (0)171 286 9720
Jun 9-13	City architecture & building exhibition	Ufa	+73472 525386
Jun 10-13	Municipal development trade	Budapest	+36 1 263 6000
Jun 10-13	World gas conference	Copenhagen	+44 (0)171 237 9777
Jun 10-13	Nor-Shipping '97	Oslo	+47 22 43 91 00
Jun 10-14	Prestige hotel & restaurant trade fair	Monte Carlo	+44 (0)171 352 9982
Jun 11-12	Measurement technology exhibition	Munich	+49 5033 7057
Jun 11-13	Business event for senior secretaries and PAs	London	+44 (0)171 571 6600
Jun 11-16	International art fair	Basle	+41 61 686 20 20
Jun 12-13	FT aerospace & commercial aviation conference	Paris	+44 (0)171 896 2638
Jun 12-14	Sales promotion & direct marketing exhibition	Moscow	+44 (0)171 436 9774
Jun 15-20	International fair	Poznam	+44 (0)1223 233952
Jun 16-17	FT world gold conference	Prague	+44 (0)171 896 2638
Jun 16-19	Transportation technology exhibition	Florence	+44 (0)181 681 3069
Jun 16-20	Security expo	Moscow	+7095 268 6671
Jun 16-20	Aeronautical fatigue conference	Edinburgh	+44 (0)181 743 3106
Jun 17-19	Business Solutions '97	London	+44 (0)701 0709901
Jun 17-20	Museums & collections trade fair	Munich	+49 89 51070
Jun 18-19	Food processing exhibition	Manchester	+44 (0)1732 35 9990
Jun 18-21	Water pollution conference	Bled	+44 (0)171 237 9777
Jun 19-22	European construction conference	Copenhagen	+44 (0)171 237 9777
Jun 20-22	International wine festival	Frankfurt	+49 69 75750
Jun 23-24	FT world aluminium conference	London	+44 (0)171 896 2639
Jun 23-25	Pan-European transportation conference	Helsinki	+44 (0)171 237 9777
Jun 23-27	International cartographic conference	Stockholm	+46 8 749 4100
Jun 23-28	Advertising and media trade fair	Cannes	+44 (0)171 412 0316
Jun 24-26	Exporting forum	Grantham	+44 (0)1992 505030
Jun 24-27	Undersea defence technology conference	Hamburg	+44 (0)1322 660070
Jun 24-27	Company car in action	Milton Keynes	+44 (0)1737 768611
Jun 25-26	Base metals concentrates conference	Helsinki	+44 (0)171 237 9777
Jun 25-26	Meetings & incentive travel show	London	+44 (0)1342 824044
Jun 25-29	Textile machinery trade fair	Barcelona	+44 (0)194 837770
Jun 29-2	Cinema expo	Amsterdam	+44 (0)171 436 9774

JULY

Date	Event	Venue	Contact
Jul 2-3	Graduate recruitment fair	London	+44 (0)171 383 2806
Jul 7-8	FT European telecommunications conference	London	+44 (0)171 896 2626
Jul 7-10	Micro process conference	Nagoya	+44 (0)171 237 9777
Jul 14-18	Music Asia	Singapore	+65 227 0688
Jul 16-17	Offshore funds conference	Dublin	+44 (0)171 237 9777
Jul 21-25	Materials chemistry conference	Exeter	+44 (0)171 839 4071
Jul 22-25	Sanitation Asia	Singapore	+65 534 3588

AUGUST

Date	Event	Venue	Contact
Aug 9-17	International consumer fair	Klagenfurt	+43 46 35 68 000
Aug 20-23	Defence marketing show	Moscow	+44 171 286 9720
Aug 21-24	Asia-Pacific life insurance conference	Hong Kong	+44 (0)171 237 9777
Aug 26-27	Motor show conference	Moscow	+44 (0)171 237 9777
Aug 30-7	Agricultural exhibition	Nuremberg	+49 11 86 070
Aug 20-23	Defence marketing show	Moscow	+44 (0)171 286 9720
Aug 24-20	European Society of Cardiology congress	Stockholm	+33 92 94 76 08
Aug 27-29	Electrochem '97	London	+44 (0) 171 235 3681

SEPTEMBER

Date	Event	Venue	Contact
Sep 1	Personal & mobile communications conference	Bonn	+44 (0)171 237 9777
sep 1-5	Royal Navy and British Army exhibition	Farnborough	+44 (0)171 807 8235
Sep 2-5	Information superhighway conference	Singapore	+44 (0)171 237 9777
Sep 4-7	Civil and military aerospace fair	Prague	+44 (0)1244 681619
Sep 7-12	Aluminium conference	Rio de Janeiro	+44 (0)171 237 9777
Sep 8-9	Roundtable with South Africa government	S Africa	+44 (0)171 237 9777
sep 8-12	International chemistry exhibition	Moscow	+7 095 255 37 33
Sep 8-12	World tribology congress	London	+44 (0)171 222 7899
Sep 9-11	Industrial management conference & exhibition	Wiesbaden	+49 50 33 7057
Sep 9-12	Offshore oil & gas conference & exhibition	Aberdeen	+44 (0)181 949 9222
Sep 10-11	FT world motor conference	Frankfurt	+44 (0)171 896 2638
Sep 10-13	Building sectors trade fair	Copenhagen	+45 32 52 88 11
Sep 11-21	International automobile show	Frankfurt	+49 69 75750
Sep 13-16	Health, health food & environment fair	Bologna	+39 51 282 111
Sep 13-21	International boat show	Southampton	+44 (0)1784 473377
Sep 14-16	Restaurant show	London	+44 (0)181 240 4444
Sep 15-16	FT world stainless steel conference	Düsseldorf	+44 (0)171 896 2639
Sep 15-19	Bridge & structural engineering conference	Innsbruck	+43 512 50360
Sep 16-20	Industrial trade fair	Herning	+45 97 12 60 00
Sep 17-18	Electronic components industry fair	London	+44 (0)1799 528292
Sep 17-20	Oil and gas exhibition	Bucharest	+40 1 2231 160
Sep 17-20	Computers and telecommunications fair	Leipsig	+44 (0)181 953 1688
Sep 18-23	Hotel, restaurant and catering trade fair	Paris	+33 1 4756 5000
Sep 19-26	World beverage technology fair	Munich	+49 89 51070
Sep 22-25	European optical communications conference	Edinburgh	+44 (0)171 344 5478
sep 22-25	International meeting on organic geochemistry	Maastricht	+31 43 383 8383
Sep 22-26	Consumer electronics exhibition	Moscow	+7 095 255 37 33
sep 22-27	Medical plastics exhibition	Gentofte	+45 33114122
Sep 22-27	International lighting exhibition	Valencia	+34 96 386 1100
sep 23-25	Internet show	Birmingham	+44 (0)1923 261663
Sep 23-25	Networks Telecom	Stockholm	+46 40 248080
Sep 23-25	Automation and robotics fair	Helsinki	+358 0 150 91
Sep 23-26	Airports exhibition	Frankfurt	+44 (0)1707 275641
Sep 23-26	Nordic building conference & exhibition	Oslo	+47 22 43 9100
Sep 24-26	Aluminium '97	Essen	+49 201 72440
Sep 24-27	International steel and iron exhibition	Bilbao	+44 (0)171 639 7265
Sep 24-28	Electrical engineering and electronics fair	Stuttgart	+49 711 25890
Sep 25-27	Physiotherapy conference	Stockholm	+46 8 749 41 00
Sep 26-29	International hotel and catering exhibition	Porto	+351 2 99 81 400
Sep 29-1	Polyurethanes world congress	Amsterdam	+31 547 271566
Sep 30	M&R control and instrumentation exhibition	Ghent	+49 3 354 08 80
Sep 30-1	FT world mobile telecommunications conference	London	+44 (0)171 896 2626
Sep 30-2	Retail banking & financial technology conf	Frankfurt	+49 611 95166 12

[1] The above data has been supplied by:
Conferences and Exhibitions Diary,
2 Prebendal Court, Oxford Road, Aylesbury HP19 3EY, UK (Tel: +44 (0)1296 28585);
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123 Adams Gardens, Brunel Road, London SE16 4JH (Tel: +44 (0)237 9777);
FT Conferences,
149 Tottenham Court Road, London W1P 9LL Tel: +44 (0)171 896 2626); and individual organisers.

Event organisers submitting information for consideration in forthcoming editions should write to :
The Editor, The Business of Travel, Surveys Department,
Financial Times, Number One Southwark Bridge, London SE1 9HL, UK

The environment

The 63-room Lake Manyara Serena Lodge, set on an escarpment overlooking the Rift Valley in Northern Tanzania: the design of the lodge ensures that it blends in with the natural environment and incorporates local artistic traditions while a strict policy on environmental conservation and landscaping means only plants and trees indigenous to the area are planted Photo: Sarah Murray

You can nod off with a clear conscience

Marian Edmunds reports on steps being taken by hotels to conserve natural resources

Slipping between crisp, white, freshly-laundered sheets must surely be one of the greatest pleasures of a sojourn in a five-star hotel suite. But as many as 30 guests a day at the Hong Kong Hotel in Tsim Sha Tsui are choosing to retain their bed linen and towels for an extra day and sleep easier in the knowledge that, in a small way, they have reduced their impact on the environment.

Inter-Continental Hotels and Resorts, by contrast, is not asking guests to conserve their towels or linen. "We think that a lot can be achieved at the back of house," says Mr Dagmar Woodward, general manager of Inter-Continental in London and chairman of the group's worldwide environmental committee.

The group has implemented a comprehensive environmental programme which has achieved cuts in energy consumption of 27 per cent over the past seven years and reduced water consumption by 6.6 per cent between 1995 and 1996. Tight controls are in place on chemicals used, and environmental training has been given to staff.

Employees have become involved in community initiatives - in London supporting a homeless shelter with fund-raising, giving advice on environmentally-efficient management, and making donations of furniture, fittings and soaps, says Ms Woodward.

"Green teams" with rotating leadership have been created and individual targets have been set for auditing environmental performance. With 190 hotels in 70 countries, the group recognised it could not adhere to a global standard because of the variations in local economic and infrastructural conditions.

The group published an environmental review late last year and achievements and initiatives are posted in an in-house newspaper. Perhaps most striking is that from the outset, competitors were given access to the group's environmental reference manual.

Seeking a consolidated industry response, Inter-Continental approached the Prince of Wales Business Leaders' Forum, a charity based in London which instigated the International Hotels Environment Initiative (IHEI) in 1993.

Funded and steered by an international council of 12 multinational hotel companies with a separate 19-strong council in the Asia-Pacific region, IHEI members seek to improve environmental performance in their own hotels and to lend their authority and experience to help the rest of the industry.

Through partnerships with hotel associations and industry suppliers, governments and non-government organisations, the campaign now includes 7,000 hotels. They are as diverse as the Serena safari lodges in Tanzania which offer a training programme for unskilled staff drawn from the local area. They also make use of indigenous plants for landscaping and employ energy-efficient rubbish incinerators to heat water. At the Marco Polo Hotel in Kowloon staff have adopted 200 plants which are placed throughout the hotel.

Meanwhile, the Canadian government department Environment Canada has implemented its own grass roots campaign to introduce an eco-rating programme to combine with current hotel grading systems. Travelling employees have been asked to choose hotels with progressive environmental policies.

"Increasing numbers of customers, particularly Germans and Austrians, are starting to focus on environmental matters," says Mr Ola Ivarsson, director of purchasing and environmental affairs at Scandic Hotel, the Nordic region's largest hotel group with 82 hotels in the region and 16 outside and a turnover of $500m.

"Nature will set the limits as resources become more expensive, so we have a moral obligation to improve our practices," says Mr Ivarsson. "Programmes with environmental improvements driven from short term profits are simply 'greenwash' or cosmetic," he says.

Measures adopted by the group include a recyclable and environmentally-friendly soap and shampoo system which has reduced its annual chemical discharge by more than 25 tons and cut down on the use of plastics. The group has also eliminated the use of foods in small packets in the dining rooms and made provision for waste sorting within rooms.

"Those measures ask customers to change their behaviour" says Mr Ivarsson "but the key is to retain the high level of comfort. It is up to us to reduce our use of energy and water resources, even when the guests are absent."

In August, Scandic will open what it describes as the world's first eco-hotel, in Sjolyst - an inner city area of Oslo.

Traveller's tales

'Think about our safety'

Hotels and airlines have much to learn about women, especially those travelling alone. That is the view of one busy executive who talks to Catherine Chetwynd

Much has been written over the years about how women travellers want to be treated. So, you might reasonably think, hotels and airlines should be getting their act together these days. Wrong, says Mrs Lee Sigler, European marketing manager for computer manufacturer Sun Microsystems.

Mrs Sigler is someone the travel industry ought to be listening to. She's the veteran of hundreds of thousands of miles of international business travel, especially around Europe, over the past 10 years.

"I have been lucky," she says during a brief visit to London from her Munich base. "Nothing awful has happened to me, but I just wish hotels were more aware of the way they treat women; I wish they were just a little more conscious of safety issues. Receptionists still announce in resonant tones: 'Here, Mrs Sigler, you're in room 423'. This happens particularly in Europe, though less so in the US.

Recently, flying from Munich to southern Spain with an airline that handles a lot of holiday travel, Mrs Sigler was asked: "Are you alone?" She says: "I am sure they would not say that to a man."

Dining in restaurants presents a perennial problem, says Mrs Sigler, as waiters often ignore women sitting alone. And, often as not, "the woman dining alone is likely to end up with the restaurant's worst table".

But sometimes the traveller just has to grin and bear it when there's no reasonable alternative. "I just hate hotels that have no room service," says Mrs Sigler, who was born in Detroit 49 years ago but now regards California as her US home. "Sometimes after a long trip I just want to get to my room, eat there and crash out watching some silly TV." Travelling alone sharpens a woman's sense of self-preservation. Mrs Sigler says she dresses presentably rather than ostentatiously, and when walking in cities she moves fast and confidently. But she has been accosted twice, both times in London.

"I know it sounds sexist," she says, "but it is nicer to travel with men because you don't have to worry as much."

Lee Sigler: I know it sounds sexist, but you don't have to worry so much if travelling with a man — Photo: Brendan Corr

Mrs Sigler says the main benefit of her various frequent flyer memberships is business class lounges. "They make my life tolerable," she says.

While many regular travellers say in offended tones that anyone who thinks business travel is fun doesn't understand how stressful it is, Mrs Sigler enjoys it. "My job would be hell if I didn't," says the woman who reckons to spend as much as 80 per cent of her time away from home.

"I like the exposure to different cultures, and I love England. The people have a sense of humour – from the corner shop onwards."

Nonetheless constant travel brings its share of irritations. "Lack of information, particularly as far as airlines and airports are concerned, is the greatest," she says. "Airport ground staff seem to be most concerned to stop passengers switching to another airline when there's a delay, says Mrs Sigler, who has two grown-up children. "In the States, airlines have a much more co-operative ticket swap system. You just walk up to the desk and request to leave on a different fight, and they take care of it. In Europe, if I want to change, say, from Lufthansa to British Airways, I have to get clearance from Lufthansa first. Changing easily between airlines is one of the advantages of deregulation."

Mrs Sigler prefers to stay in small, independent hotels, rather than what she describes as the "big plastic" ones. In England, she is a regular visitor at Frimley Hall, near Camberley, which is convenient for her company's offices in Bagshott, Camberley and Farnborough. In Paris, she favours the Queen Elizabeth, a small business hotel close to the Champs Elysée. And colleagues in Dublin recently recommended The Clarence. "It is charming," she says. "I loved it."

Unpleasant memories? There are a few, but one sticks firmly in Mrs Sigler's memory. On a recent visit to to South Africa, Mrs Sigler and her colleagues were told on arrival at their hotel that their rooms were not ready. They were, however, taken along to the gymnasium and invited to use the showers there. "There were bugs in them."

"After a day's work the group had a light dinner in an outdoor cafe and retired to bed. Mrs Sigler had removed her trousers and noticed something in the pocket. Looking, rather than putting her hand in, she found a giant beetle. She shook the megabug into the toilet and flushed. The big beetle calmly floated.

There was a can of insect spray in the room – "that tells you a lot" – so she sprayed that into the bowl and it did the trick. The insect died and flushed away.

But the ghost of the beetle lived on. Another look in the trouser pocket revealed that it laid eggs there.

Running repairs

Help's at hand when screens go blank

Roger Bray discovers that a troublesome portable computer may no longer be such a worry

Here is a recipe for panic. Take one expensive laptop, protected by a padded bag. Leave the bag carelessly unfastened. Rush to catch a domestic flight on a crucial foreign sales trip, bump into a tourist with a heavy trolley full of luggage. Watch your computer slip out and bounce down a flight of stairs. When you retrieve it, the screen stays stubbornly blank.

What do you do? If you are lucky, your company will have a nearby branch with a resident IT expert or it will have organised local back-up. Or you may have been prudent enough to have taken out insurance which includes round-the-clock assistance for stolen, lost or damaged equipment. If you have time, you may be able to despatch your computer to a repair centre under warranty.

If you are isolated, imprudent and in a mad rush, however, you may have to expend significant time and money making a long-distance call to a technical support centre. While the big producers have branches or agents across the world, there are still remote parts they do not reach.

Panasonic, for example, is represented in 138 countries, among them El Salvador and Iran. It does not yet include the former Soviet republics, but Mr Richard Walters, notebook product manager, says that even there the company can help to head off disaster.

"There are two scenarios. If you are a corporate customer who has bought a number of units from us we will know that through our dealership channels. The likelihood then is that we will have gone in alongside the dealer to talk about the support you need in the territories you are likely to be taking notebooks to.

"We can also offer quarantined units, supplying additional machines with the customer's software. We then either hold them at our offices in the relevant country or if it's somewhere really obscure, the customer arranges to have them stored there." Quarantined, in this sense, means kept securely.

Rival manufacturer Hewlett Packard says that where it has a subsidiary or a dealership it can get the repaired machine back to you on the next day in "99 per cent of cases".

Mr Nick Cloot, hardware support marketing manager, says the company does not issue an "exhaustive" list showing every single representative. What if you are in the central Asian republic of Kazakhstan, say? Mr Cloot produces an impressively quick answer: "If you rang our 24-hour support line, it could tell you we have a distributor in Almaty called Scan East and give you a telephone number and a contact name."

Toshiba offers a good example of how you can be bailed out under warranty. It has a deal with the service division of Unisys. The user takes the laptop to any hub served by courier company DHL and Unisys aims to send it back in three days if the transport system is good, or five days if the customer is somewhere really remote. Peter Bradley, technical manager for Toshiba personal computers, says: "Occasionally it has taken a little longer, where the machine has been held up at customs."

London-based communications specialist TeleAdapt offers another alternative, particularly attractive to the solo operator. Its Laptop Assist insurance policy – thrown in free for anyone who buys a foreign connection adapter – guarantees help to get a replacement. You telephone a helpline, and insurance company Europe Assistance will arrange to get it to you.

TeleAdapt's managing director, Mr Gordon Brown, says: "If you're somewhere like Uzbekistan it might take two or three days but if you're in France they ought to get it to you overnight."

Manufacturers, of course, are quick to claim that their equipment will stand all sorts of abuse.

As with health, prevention is better than cure. Some laptops are more robust than others. It is a sensible precaution, for example, to look for a screen backed by some stiff material such as magnesium alloy, which will protect it should somebody drop a heavy object on the lid. "There are some laptops", says one expert, "that would be out of commission if you dropped them from four feet. On the other hand there are others which are splash proof, waterproof or shock proof."

The latter would include Panasonic's "semi-ruggedised" CF25s, which have been used by United Nations forces in Bosnia. You can spill coffee over their keyboards, claims the firm, or even parachute with one in a back pack. But the best protection, says Mr McKerlie, is a sturdy carrying case. "Of course, if somebody drives a tank over it, it won't survive, but a good case will protect it against day-to-day rough and tumble".

Getting around: Latin America

Financial Times correspondents based in the region guide the business traveller round the main business districts, offering the first-time visitor and weary globetrotter alike tips to make their journey a little smoother

ARGENTINA

By Ken Warn

Doing business in Buenos Aires can be a frustrating mixture of frenzied rush and interminable delay. But getting around is easy – many companies and financial institutions are concentrated in the bustling "Microcentro." Even so, do not cram too many meetings into one day. Allow for late starts and overruns, and leave time for some leisurely lunches and dinners. At the weekend, mingle with the tourists in the "Tango" district of San Telmo, or take the hydrofoil across the River Plate to the sleepy Uruguayan town of Colonia.

Visas

Short-stay visitors from most western European countries, the US and Japan do not require a visa; most others do. For longer stays arranging a visa in advance is advisable, if time-consuming.

Airlines

Ezeiza international airport outside Buenos Aires is served by a wide range of regional, North American and European airlines. Gloomy and unwelcoming, Ezeiza is not a place you will want to linger. Internal flights, and some flights to Uruguay and Brazil, leave from the tiny Aeroparque, a short taxi ride from the centre. The nationwide network is good but expensive by international standards. However, the business visitor has no other choice in such a vast country.

Local transport

Have a car waiting on arrival at Ezeiza, unless you want to run the gauntlet of taxi touts. Once in town, taxis are cheap, plentiful and easy to hail. Many taxi drivers appear to believe they are taking part in a permanent grand prix.

Hotels

Plentiful choice. Visiting dignitaries often stay at the Alvear Palace ($256-$320 a night), a taxi ride from the centre in smart Recoleta. The Marriott Plaza ($225-$340) overlooks the leafy Plaza San Martin and is within strolling distance of the financial centre. The Inter-continental ($250-$290) is central. Add 21 per cent sales tax. An adequate "aparthotel" will cost around $120 a night.

Eating out

Argentina is a carnivore's paradise, but not much fun for vegetarians. Pasta and pizza are the main alternatives to beef, and good ethnic restaurants are scarce, even in the capital. For an upmarket steak dinner, try Las Lilas in the refurbished dock area of Puerto Madero. For a Brazilian-style variation on the same theme, try Rodizio, also in Puerto Madero, with good salads if you cannot face a mountain of meat. Filo, on Avenida San Martin, serves pizza and pasta to a younger crowd.

■ The February 6 edition of The Business of Travel featured Getting around south-east Asia, and included, Hong Kong, Indonesia, Malaysia, the Philippines, Thailand and Vietnam. The next issue, scheduled to be published on September 4, will feature the Middle East.

BRAZIL

By Jonathan Wheatley

Brazil is a beautiful country, but Sao Paulo, the main business centre, is plain ugly. What it lacks in looks it makes up for in efficiency, although heavy traffic and a national aversion to punctuality can slow things down. Rio de Janeiro is visually stunning and trying hard to rival Sao Paulo as a business city. One big surprise for most visitors: Brazil is an expensive place.

Visas

Requirements vary, but are required in advance by visitors whose home country demands visas for Brazilian travellers.

Airlines

Sao Paulo is served by 26 international airlines. Domestic flights are notoriously expensive, though safety and quality of service are good. If travelling from Sao Paulo to Rio, fly between the smaller city centre airports for one of the world's most spectacular aerial arrivals.

Local transport

An "ordinary" taxi (taxi comum) from Sao Paulo international airport to the city centre costs about R$43; "special" taxis (taxi especial) cost R$10 more – worth it for the comfort and air conditioning. An excellent coach service leaves the airport every half hour to the main hotels for just R$8. Rio's ordinary taxi drivers are justly famous for their recklessness, so those who value comfort over excitement should take a special taxi for R$40 from the international airport to Copacabana, where most hotels are situated. Taxis elsewhere are generally safe and reliable, though often pricey. Car hire can be expensive and involve a frustratingly bureaucratic process.

Hotels

Most of Sao Paulo's business hotels – such as the Maksoud Plaza and the Sheraton Mofarrej (both about R$350 a night) – are between the city centre and the newer business district. "Aparthotels", such as the Metropolitan Plaza (R$150 a night), offer a cheaper alternative. Rio hotels are slightly cheaper, and the sumptuous Copacabana Palace is a snip at R$280 a night. The Hotel Gloria (R$112) is more modest and closer to the centre.

Eating out

Meat-eating visitors shouldn't miss the grills (churrascarias) such as Rodeio on Rua Haddock Lobo in Sao Paulo, or Marius on Avenida Atlântica in Rio. Sao Paulo's big Japanese community offers many excellent and relatively cheap restaurants.

Most international hotels do a good feijoada, the traditional Brazilian Saturday lunch – a stew of black beans and meats served with rice, kale and mandioc flour.

CHILE

By Imogen Mark

Power breakfasts may have replaced convivial business lunches, but a Santiago traffic jam is still comfortably provincial. For best views of the Andes, avoid the May-August winter season when the smog is worst. Or go skiing above it, 40 minutes from Santiago.

Visas

Most western and some Asian nationalities can enter without an advance visa; a 90-day tourist visa (renewable once, at a charge of $100), is issued at the airport on arrival. A temporary visa for those intending to take up paid employment is available from Chilean consulates.

Airlines

Chile is the end of the line, so a mere 22 international airlines fly in and out. Lan Chile, the flag carrier, Ladeco, plus two small airlines, National and Avant, serve the half-dozen main cities, Alta adds some smaller ones, and DAP serves Patagonia.

Local transport

From Santiago's Arturo Merino Benitez airport there are metered taxis into town ($20-$25), or the Shuttle service – mini-buses for several passengers ($10). Hotels will charge $25-$30 for a pre-arranged pick-up.

Downtown Santiago is compact home on the westside to government offices, banks and financial services; on the uptown eastside there are new glass-tower office blocks. Traffic is reasonable, metered black-and-yellow taxis cost roughly $1 mile and are reliable. Hotel cars charge from $9-$20 an hour. The Santiago metro is fast, frequent, clean and safe.

Hotels

Most convenient are the Carrera ($240 a night) and the Kempinski ($230), both downtown. In pleasanter settings are, midtown, the Sheraton ($260) and, uptown, the Hyatt ($280), both a 10 to 20-minute car trip from either centre. Prices do not include breakfast. You can avoid value added tax by paying in US dollars or by credit card.

Eating out

Chilean cuisine is hearty, not distinguished; local taste conservative, not adventurous; high-quality seafood and fresh vegetables are saving graces. Hotels like the Sheraton and the Carrera offer good international cuisine, the Baltasar restaurant in Las Condes is outstanding, and there are several good restaurants in El Bosque Norte and Isidora Goyenechea – try Le Due Torri (pasta and seafood), Madroñal, Pinpilinpausha, El Otro Sitio (Peruvian). Bellavista, downtown across the river, offers slightly more informal eateries.

MEXICO

By Leslie Crawford

Allow time to adjust to the high altitude of Mexico City and the awful pollution. Expect heavy traffic everywhere. Officialdom starts its day late (10am), takes a long lunch break (2.30pm to 5.30pm), and then works late into the night.

Visas

All visitors to Mexico should have a valid passport and carry a Mexican government tourist card – like a visa for entry and exit, available free from some travel agencies, at the airport or in-flight. The card is valid for 30 days and may be extended for up to 180 days at the National Immigration Institute. Some nationalities – not western European, US or Canadian national – require a visa.

Airlines

Mexico City's international airport is served by 36 international airlines. Mexicana de Aviacion and Aeromexico are the main local operators and cover the principal tourist and commercial destinations. They also connect with minor airlines to smaller cities.

Local transport

A taxi ride from Mexico City's airport to the main hotel district costs about $8. There is only one taxi company operating from the airport; the fare is paid in advance.

Flagging the ubiquitous green 'Beetle' taxis in the city is not recommended due to the rising number of reported hijackings and robberies by taxi drivers. The safest means of transport is a "taxi de sitio" – dial-a-cab services which charge about double the metered street taxi rates, but which are still cheap by international standards. Sitio taxis can be found outside every hotel.

It is essential to carry a map of the city – the best is the Guia Roji. Mexico City is huge and you cannot rely on taxi drivers to know their way around.

Hotels

Mexico City is one of the biggest cities in the world, so location is very important, depending on what you plan to do. The main hotels are in the business, financial and commercial area along Refoma Avenue. The Four Seasons ($250 a night), Nikko ($250), Camino Real ($220), Sheraton ($190), Presidente Intercontinental ($190). Add 17 per cent tax to all hotel rates.

Eating Out

Mexico City caters for all tastes. For traditional Mexican food try the Cicero Centenario (city centre) or the San Angel Inn (south), which is located in the beautiful grounds of an 18th century hacienda. La Galvia and Isadora in the Polanco district are popular with businessmen.

PERU

By Sally Bowen

Lima is an odd mixture of first and third world, of formality and informality – as the bizarre collection of vehicles at the airport illustrates. Business relations are a similar mix. Old world courtesy and genuine friendliness have survived the recent advent of a more aggressive entrepreneurial culture.

Visas

Most visitors can enter Peru without a visa. Tourists are admitted with no formalities for three months: the permit can easily be extended for another 60 days. Most short-stay businessmen enter as tourists to pre-empt problems with tax documentation on exit.

Airlines

Lima's Jorge Chavez international airport is served by 21 international airlines, but there are no non-stop flights from Europe so many businessmen travel via Miami. Two Peruvian carriers, Aeroperu and Faucett, fly international and domestic routes; provincial cities are also served by AeroContinente, Americana and AeroCondor.

Local transport

Lima taxis are invariably non-metered. "Official" (undistinguishable to the untrained eye) taxis from the airport to the city centre and main business districts cost $20, pre-paid on leaving the terminal arrivals area. Informal taxis (identified by a removable plastic sticker in the windscreen) cost less than half, but you need to negotiate. The semi-permanent economic squeeze means that every second car in Lima is an informal taxi. There are no fixed prices (short journeys should cost under $1.50; into town from the business suburbs $4) and no guarantees that the driver will know your destination – though he will obligingly drive around in circles to find it. Leading hotels will arrange a more reliable service for around $10 per hour, or a maximum of $80 for a 10-hour day.

Hotels

Few businessmen stay downtown – it is best not to stroll around the centre at night. The new Peruvian-Swiss-Ecuadorean Oro Verde ($282 to $2,500 a night) in San Isidro is reckoned to be Lima's finest. Also highly recommended is the peacefully located El Olivar ($243), Las Americas ($250), and the Miraflores Park Plaza ($256). Corporate rates are some 30 per cent lower.

Eating out

Peru has one of the world's least known but spectacularly good cuisines: you will eat better in Lima than any other South American city. The cold, offshore Humboldt current means fish and seafood are excellent. Don't miss "ceviche", raw fish marinated in lime juice and chilli pepper.

VENEZUELA

By Ray Colitt

Caracas has a mild, near-perfect, semi-tropical climate all year round. Many businesses, and especially public offices, still close for a long lunch break from noon to 2:30pm. Public services are very inefficient and it is advisable to hire professional help to carry out official transactions. Beware of pickpockets everywhere.

Visas

Most business travellers are automatically granted a 45-day tourist visa on arrival. Six-month business visas can be obtained from Venezuelan consulates around the world and require some time to process. Both can be extended through a time-consuming application process.

Airlines

Maiquetia International airport lies some 45 minutes outside of Caracas and is served by 26 international airlines. Caracas is often used as a gateway to South America. The largest domestic carrier is Avensa, followed by Aserca, Laser and AeroTuy, the latter specialising in tourist destinations. International departure tax is US$15 (in dollars or bolivars), plus a $4 airport tax (in bolivars).

Local transport

Official taxis from the airport charge about $20 to Caracas, though city cabs passing by charge much less. Within the capital, taxis do not have meters so negotiate before travelling. They are reasonable, generally under $5 per ride. The metro is cheap, clean and safe, though pickpockets abound. Hiring a car is useful if you want to escape to beautiful Caribbean beaches over the weekend. Most international rental car companies are available ($60 to $80 per day).

Hotels

The selection of first rate hotels is rather limited. The Caracas Hilton ($245 plus tax a night) is central and has special business reception, suites, lounge and office. The Tamanaco Intercontinental ($225 plus tax) is a 15 to 25 minute drive from the business/government centre but is more spacious with larger outdoor recreational facilities. Nearby is the Eurobuilding ($220 plus tax).

Eating out

There is a large and very good selection of Spanish and Italian restaurants, representing the two principal groups of immigrants in Venezuela. Try the Tasca Segoviana in La Candelaria or IL Cielo in Las Mercedes, where you'll find many restaurants grouped and where you can stroll safely at night. Local cuisine is strong on meat. For a good steak try La Estancia ($10 per person) in Altamira. A popular place for business dinners is El Tambo Real ($10-$15) in Chacaito with its Peruvian/Japanese cuisine.

When in-house was 'in'

Hoteliers have decided to turn the tide and try to bring some flair, spice and status back into their dining rooms, says **Scheherazade Daneshkhu**

Ask a well-heeled local in New York, London or Paris where to dine, and the reply is unlikely to include the word "hotel".

It can take weeks to get into one of the fashionable restaurants in these cities. Plenty of mid-market and branded chains are packed, too, but walk into a plush hotel and you are likely to see a half-empty room more populated by waiters than customers.

All too often, the hotel dining room can seem bland and uninviting compared to more exciting alternatives.

In some countries, the hotel restaurant still enjoys the status it once had in the metropolitan centres of the US and Europe. When I visited New Delhi a few years ago, the House of Ming at the Taj Mahal hotel was the best place to eat in town, and its coffee shop was a popular meeting place.


At your service: Staff are often left kicking their heels in deserted hotel restaurants...but things are set to change

"Many luxury hotel restaurants are practically empty because they don't offer the ambience that most people want," says Mr Ramon Pajares, managing director of the Savoy Hotel group and former regional vice-president of Canadian-owned Four Seasons hotels. "But this means that the few who do go in tend to get good value for money since hotels also rely on their rooms for income."

Pannell Kerr Forster, the hotel management consultants, believes that the days of the traditional hotel restaurant are numbered.* "The restaurant is often the least profitable department, and is run purely to create or support a hotel's image and underpin room occupancy and average rate," says Mr Stan Dixon, director.

PKF's survey of 300 hotels in the US and Europe shows that return on investment in the food and beverage department is 7.1 per cent compared to 13.1 per cent in the rooms division. The return is lower than many alternative investments, including government bonds.

"For many hotels, in-house restaurants remain essential for penetrating the conference and banqueting and other group markets," said Mr Dixon "but few hoteliers have shown the flair or vision required to turn around their restaurant operations."

The poor profitability of hotel restaurants is one reason behind the growth of townhouse hotels, particularly in London, New York and Paris. These, usually small, hotels aim to create the atmosphere of a private residence.

Many have limited dining facilities and some do not have a kitchen but have an arrangement with a restaurant to provide room service. They can afford to offer competitive room rates since they do not have the financial burden of a full-service, restaurant.

But many hotels believe a restaurant is an essential service for guests. The dilemma is how to do that without draining profits.

One alternative is to turn to an outside operator to run the food service.

Holiday Inn last year allowed franchisees of its core full-service hotels to do away with the restaurant altogether and franchise the food operations instead to branded outlets, such as Little Caesars Pizza Express, Blimpie quick-service sandwich bars and Taco John's Mexpress. Holiday Inn says that this is attractive to customers who tend to place a higher value on brands than on unbranded outlets.

The principle of getting an outsider to operate the restaurant can apply even to the luxury end of the market. Forte, the UK's largest hotel group which was taken over by Granada last year, rented out two of its London five-star hotel restaurants to celebrity chefs. Mr Marco Pierre White cooks at the Hyde Park Hotel, now owned by the Mandarin Oriental hotel group, while Mr Nico Ladenis is at the Grosvenor House.

But Hyatt International, which manages hotels on behalf of their owners does not embrace the contracting-out trend. "We have a responsibility to our owners to make hotel restaurants successful and profitable. We can achieve this by focusing on the local market to make sure we have the right concept," says Mr Frank Ansel, vice-president of food and beverage.

Before launching a restaurant, preferably with a separate street entrance, the group tries to drum up publicity through word of mouth. "If we have to resort to advertising we feel we have failed," says Mr Ansel. "When the Grand Hyatt Hong Kong opened, it was the restaurants that brought people into the hotel and put it on the map. It was impossible to get a table – they just took off."

An existing restaurant can also be given a new lease of life. Two years ago, the Berkeley Hotel in London, part of the Savoy group, added a touch of south-east Asian spice to Le Perroquet, transforming it into Vong.

The entrance was moved from the side street onto Knightsbridge, and customers now enjoying the French-Thai food in the busy, modern interior would have no reason to think that they were in a hotel restaurant.

Covers rose fourfold in the first year – a clear demonstration that it is possible to operate a successful hotel restaurant – particularly if the name does not give the game away.

* *Hotel Food and Beverage – For Prestige or For Profit?; Pannell Kerr Forster Associates, New Garden House, 78 Hatton Garden, London EC1N 8JA; £100.*

Booking budget need not be bad

Spiralling prices elsewhere are helping to create demand, writes **Scheherazade Daneshkhu**

The recession in the US and much of Europe may be over, but budget hotels are still in demand. Companies which cut back on travel spending in the early 1990s, partly by booking executives into cheaper rooms, have now found that budget and economy hotels can have a permanent place in their travel plans.

Mr Andrew Fletcher, company secretary of British Aerospace's military aircraft division, says: "Hotels used to be booked on the basis of someone's seniority, but it's an indication of a changing corporate climate that bookings today are based as much on needs."

While some travellers can be apprehensive at first about the budget hotel and its limited facilities, this often disappears once they have tried one out. "They are cheap and cheerful and not nasty. For the times that the traveller is getting in late and leaving early, the budget hotel suits us down to the ground," says Mr Fletcher.

Staffing is minimal in budget chains, which usually makes automated payment a necessity, and the food service is limited to breakfast at most. The level of facilities can, however, vary considerably according to price and the local market.

For example, rooms in the Formula 1 chain owned by Accor, Europe's largest hotels group, often share a bathroom. The group also owns Motel 6 in the US – the chain that took its name from the $6-a-night it charged when launched in 1962. Unlike budget hotels in Europe, most Motel 6s have some leisure facilities such as a swimming pool.

The demand for budget hotels has spawned a growth industry. Most of the recent expansion in the US hotel industry, the home of the budget hotel, has been due to the construction of limited service hotels.

Budget hotels are the fastest-growing segment of the UK hotel industry, where the the number of rooms has more than doubled in size from 7,300 in 1992 to 17,000 at the end of last year, according to Deloitte & Touche Consulting, the London-based group.

The sector poses a challenge to existing operators, Deloitte believes. "Some of those hotels that have lost market share to the budget sector can be expected to respond by attempting to provide a better value-for-money offer. Others will cease to compete and convert to an alternative use."

There is is still considerable room for growth in the UK, where only 2 per cent of the room stock is in the budget sector compared to more established markets, such as the US with a 12 per cent share and France, where the sector accounts for 15 per cent of the room stock.

In the more mature US market, the industry is dominated by the large franchise companies, such as Choice Hotels, owners of the Sleep Inns budget brand, and Hospitality Franchise Systems, which owns the Howard Johnson brand and bought the US Travelodge chain in December 1995. Some of the budget hotel growth is, however, being driven by chains at the upper end of the market which found themselves losing customers to the sector during the recession.

Mr Mike Platt, director of commercial affairs at Hogg Robinson, the UK business travel agent, says that the current demand for budget hotels is partly by default because of rapidly-rising room prices at full-service hotels.

"We're booking more and more budget hotels because a lot of the bigger ones are full and because there is a backlash at the increase in rates of the larger hotels," he says.

Can hotels with such basic facilities really meet the needs of today's traveller? Mr Platt says that budget hotels tend to be used by domestic travellers on an overnight stay. "The international traveller is likely to be spending a couple of nights and therefore may need more facilities – such as a trouser press – which are not essential for the traveller on a quick overnight stay."

Moreover, domestic travellers are less averse to staying in budget hotels because even if they are in a different part of the country, they know how to get about and where to go to eat. And, since many budget hotels do not have a telephone in the room, using the mobile for a domestic call is practical whereas it can be prohibitively expensive for overseas calls.

Mr Fletcher says the lack of staff can make budget hotels offputting for women business travellers who may like the security of knowing that they can get help if they need it by calling the front desk.

He believes that companies can waste a lot of money on booking staff into hotels with lots of facilities when there is no chance that they will use or need them on a quick overnight stay.

Hoteliers and guests have lines crossed over phones

Telecoms are often seen as a profit source rather than a service, writes **Beverley Fearis**

Telephone charges are among the highest costs incurred by business travellers when staying in a hotel, with charges of up to £7 per minute to Asia not uncommon in top London hotels.

A survey commissioned by Mercury Communications, of the UK, found 84 per cent of business travellers believed the prices of hotel telecom services were unreasonable. Despite this, 82 per cent said they used a room telephone during a hotel stay.

The survey, undertaken by IFF Research, concentrated on 42 of the top 59 hotel chains represented in the UK, including Queens Moat Houses, Hilton, Stakis and Jarvis. It involved talking to hotel managers, marketing and IT managers and 67 business and leisure travellers.

According to Mercury's travel and transport sector development manager, Mr Robert Simpson, the study demonstrates that the vast majority of hoteliers view telecommunications as a way of boosting profits, not as an extra service to their customers.

Half the hoteliers surveyed admitted that the industry as a whole offers poor, or extremely poor, value for money, but only 28 per cent admitted their particular hotel was guilty.

When pressed, most hoteliers claimed that their charges were set at up to a 100 per cent mark-up, but business travellers' own experiences show the true mark-up is sometimes as high as 700 per cent, with luxury hotels the worst offenders.

Many hotels are now installing in-room faxes and have not only seen a substantial increase in the number of incoming and outgoing faxes, both subject to hefty charges, but also in outgoing telephone calls as most senders will call to make sure a fax has arrived.

Inmarsat's travel manager Mr Andrew Solum, who cited personal examples of paying $10 a minute for a call from Brazil to the UK and £19 for a fax from Hong Kong to London, said: "Cost plus a little profit everybody understands, but nobody understands holding their guests hostage. There is no justification offered by the hotels."

A rare exception is UK-based Friendly Hotels, which introduced a policy four years ago of charging 10p a unit. Finance director Mr Ian Rollason said the group believed telephones should be an extra service, rather than a way of making money. However, Friendly is currently reviewing the policy along with the pricing of other services.

Despite being a significant cost, telephone charges are not listed in hotel brochures and even when they are displayed in the room they are quoted in units, which mean nothing to most hotel guests. A unit is, in fact, an out of date measurement used by British Telecom to calculate bills. BT now calculates bills by the second.

Mr Simpson explained: "If you asked a hotelier how many units it would take to make a five-minute call to the US, they would not be able to tell you. It's like going into a restaurant and being charged by the calorie. Unless you are an expert in the calorific value of food, you wouldn't know how much your meal had come to until after you'd eaten it."

But Mr David Henderson, travel manager of Britain's Independent Television News (ITN), said frequent travellers are well aware of the high prices. "Telephone charges are transparent charges - you know if you use a hotel telephone in a hotel, it's going to cost you. It's the same as with laundry charges and mini-bars."

He said today's cost-conscious companies often stipulate in their travel policies that executives must travel equipped with mobile phones or charge cards to reduce communication costs.

Almost half (46 per cent) of the business travelers surveyed by IFF said they use a mobile phone in hotels instead of using the room phone.

Use of mobile phones is set to rapidly increase as companies develop phones which cost a standard amount worldwide. Inmarsat, for example, aims to offer a satellite telephone costing $1 a minute worldwide by 2000.

Hotels have reacted with some hostility to these alternative forms of communication. Most impose a fee for anyone using a charge card.

But Mercury believes a minority of hoteliers, mainly in Hong Kong and the US, are beginning to realise that telecom services can be marketed as important added-value products.

According to Mr Simpson, a small but rapidly-growing number of hotels are installing more economical communication facilities such as the Internet and e-mail. Business travellers can pre-book an e-mail address which they can pass on to their colleagues and clients before arrival at the hotel.

UK hoteliers are slowly catching on to this approach and are beginning to consider installing this technology in their rooms. Mr Simpson said that although hoteliers risk losing revenue from telephone charges, these additional services are likely to attract custom.

"If these services can help hotels achieve a 1 per cent increase in occupancy, that will generate more revenue than through telecom charges," he said.